Austria ... Sch 20	Indonesia ... Rp 2500
Bahrain ... Din 0.650	Italy ... L1500
Belgium ... BFr 45	Japan ... Y650
Canada ... C$1.00	Jordan ... Fils 500
Cyprus ... C£0.70	Kuwait ... Fils 500
Denmark ... Dkr 8.00	Lebanon ... £L 25.00
Egypt ... E£1.00	Luxembourg ... LFr 45
Finland ... Fmk 6.50	Malaysia ... Rm 4.25
France ... FFr 8.00	Mexico ... Peso 300
Germany ... DM 2.20	Morocco ... Dh 6.00
Greece ... Dr 80	Netherlands ... Fl 2.75
Hong Kong ... HK$ 12	Norway ... NKr 7.00
India ... Rup 15	Philippines ... Pes 20
Portugal ... Esc 90	
S. Arabia ... Rls 6.00	
Singapore ... S$ 4.10	
Spain ... Pta 125	
Sri Lanka ... Rup 30	
Sweden ... Skr 7.00	
Switzerland ... SFr 2.20	
Taiwan ... NT $65	
Tunisia ... Din 0.600	
Turkey ... L 250	
U.A.E. ... Dh 6.50	
U.S.A. ... $1.00	

FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

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Foreigners feel their way on Tokyo bourse, Page 21

World news

Fighting breaks out again in Beirut

Shia Moslem militiamen and Palestinian guerrillas clashed in renewed tank and mortar duels in Beirut, defying a Syrian-sponsored truce which had temporarily halted fighting.

The outbreak of full-scale hostilities at the Sabra, Chatilla and Bourj El-Barajneh refugee camps coincided with a fresh wave of sectarian kidnappings including at least seven Christians seized as they crossed the Green Line dividing the city.

A Moslem militia source said the kidnappings were apparently in retaliation for the abduction of several Moslems in East Beirut.

Macao talks date

Portugal and China announced that the first round of talks on the future of the Portuguese-run territory of Macao would be held in Peking on June 30 and July 1.

Fishing talks

France and Spain began talks under the auspices of the European Commission to resolve a row over fishing rights that led last week to Spanish trawlers' blockading the French port of Hendaye.

Spanish bombings

Two bombs apparently set off by Basque guerrillas bent on sabotaging Spain's tourist industry exploded in the holiday resorts of Marbella and Alicante. No one was injured.

Train blast

One man was killed and seven people injured in Santiago, Chile, when a bomb exploded in an underground train. A second bomb damaged a station.

Policemen killed

A bomb killed three policemen and injured 30 people in the Pakistani border town of Peshawar, less than 24 hours after another blast derailed an express train nearby, killing one person.

Railway blaze

Hundreds of tonnes of petrol and paraffin caught fire near a residential area near Sundsvall, northern Sweden, when a freight train was derailed.

Red Brigades trial

Leaders of Italy's extremist Red Brigades faced a mass trial covering five years of urban guerrilla violence in Rome including the 1978 assassination of statesman Aldo Moro.

Return to work

Swedish health and social workers said they would return to work after mediators appealed to them to end a 26-day strike that closed hospitals and local government offices.

Strike crumbles

A five-day strike over pay by pilots and flight engineers of Olympic Airways appeared to be crumbling as the Greek state-run airline announced that almost 60 per cent of its scheduled flights would take place.

Gas stoppage

Gas workers in Lisbon began a scheduled, week-long strike, cutting supplies to factories, shops and homes throughout the Portuguese capital in support of a 20 per cent pay rise.

Radioactive fish

Norwegian authorities said high radiation levels had been found in freshwater fish since the accident at the Soviet Union's Chernobyl nuclear plant and advised Norwegians against eating some fish. Bulgarian reactors, Page 2

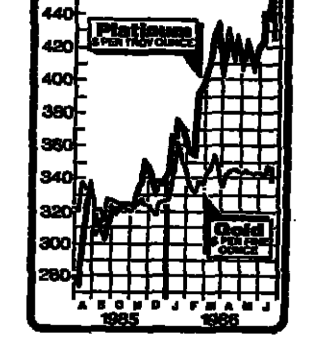
Business summary

Volvo to pay stock exchange penalty

VOLVO, Swedish automotive, energy and food group, is to pay the fine imposed on it by the Swedish stock exchange authorities for an "inexcusable" breach of its listing agreement and has withdrawn its threat to take legal action. Page 23

DOLLAR fell in London to DM 2.2005 (DM 2.2080); FFr 7.0175 (FFr 7.04); SFr 1.8170 (SFr 1.8210), but rose to Y165.5 (Y165.3). On Bank of England figures the dollar's index fell to 114.6 from 114.8. Page 39

STERLING fell in London to close at $1.5225. It also fell to DM 3.35 (DM 3.365); FFr 10.685 (FFr 10.7325); SFr 2.765 (SFr 2.775), but was unchanged at Y252. The pound's exchange-rate index fell 0.2 to 75.7. Page 39



PLATINUM and gold prices fell sharply on conclusions that the Soweto riots anniversary in South Africa had passed less violently than expected. In London, platinum was fixed $16.75 down at $432.25 an ounce and gold closed $8 lower at $339.75. Gold also fell in Zurich from $339.25 to $346.35. In New York, the Comex August settlement was $337.50. Page 38

WALL STREET: The Dow Jones industrial average closed 2.43 down at 1,871.77. Page 46

TOKYO: Steel and shipbuilding stocks were active although the Nikkei average shed 20.37 to 17,185.60. Page 46

LONDON equities had a strong start to the new account and the FT Ordinary index firmed 4.9 to 1,318.6. Gilts firmed. Page 46

WEST GERMANY: Leading foreign banks incorporated in the country have been invited to take part for the first time in the federal bond consortium that places government, post and railway bonds with investors. Page 26

EGYPT is to seek debt rescheduling arrangements with individual creditors rather than be forced to accept a package imposed by the Paris Club of creditor nations. Page 6

BANK OF FRANCE lowered its money-market intervention rate by 0.25 point to 7 per cent, adding to pressure on the main commercial banks to cut their base lending rates, currently pegged at 9.6 per cent. Page 3

IBM chose its plant at Havant in southern England as the sole worldwide manufacturing base for a new compact memory system to be used with its System/38 computer range. Page 22

BOMBARDIER, Canadian transit system and defence group, is negotiating a joint venture with Daihatsu of Japan to produce a small car.

DELTA AIRLINES accused American Airlines of siphoning off millions of dollars of revenues from other US carriers through the use of its Sabre computerised reservation system. Page 23

COCA-COLA plans to buy its bottling franchises from BCI Holdings for about $1bn to forestall prospective purchasers. Page 23

GUINNESS, diversified brewing and retailing group, announced first-half taxable profits showing a 68 per cent rise to £59.3m, matching forecasts. Page 28; Lex, Page 22

Millions of blacks boycott work on Soweto anniversary

BY ANTHONY ROBINSON IN JOHANNESBURG AND PATTI WALDMEIR IN CAPE TOWN

MILLIONS of blacks stayed away from work across South Africa yesterday on the 10th anniversary of the Soweto uprising. The day was also marked by unprecedented security measures.

"The security forces are on standby at every possible place where trouble could have been expected," said Brigadier Leon Mellet of the Bureau of Information.

The one-day work boycott was as massive as that on May Day, according to the labour monitoring group at Witwatersrand University, although only 10 per cent of black mineworkers on the Reef stayed away from work yesterday, compared with a near-total boycott on the previous occasion.

In a sermon at St Mary's Cathedral in Johannesburg, Bishop Desmond Tutu described the situation in the black townships as one of "sullen peace" and called on black and white to work together for the end of apartheid and "for real Christian peace in our beloved country."

The day began with an eerie silence at normally bustling railway and bus stations and in townships where many people appeared to have spent the day in their homes. As night fell, however, reports began to come in from Soweto of barricades, burning tyres and sporadic stoning incidents.

The reports could not be independently verified because of the introduction yesterday of tight new restrictions on media coverage. These barred reporters from black townships and forbade any comment on the conduct of security forces without prior permission from the authorities.

Allan Boesak, one of apartheid's most eloquent critics, preached a thunderous condemnation of the South African Government before a tense congregation gathered in a church near Cape Town. Although television cameras filmed his address, few outside the church are likely to hear his words because of the government crackdown on news reporting. Details, Page 7

The Bureau of Information said the official account of the day's unrest would be given only at the daily briefing today.

At yesterday's briefing, Brig Mellet said that eight blacks had died in unrest during the previous 24 hours, five in black-against-black violence and three in security-force action. That brought to 31 the official death toll since introduction of the state of emergency last week.

In a statement read out at the briefing, Mr Louis Nel, the Deputy Minister of Information, criticised foreign correspondents for "editorialising" and warned that the bureau was carefully monitoring all unrest reports. In Parliament, Mrs Helen Suzman, the opposition Progressive Federal Party spokesman on law and order, sought confirmation from the Government of reports that some 2,000 people had been detained since the emergency began.

Meanwhile, Mr Louis Le Grange, the minister of Law and Order, commented in Parliament on reports that police had fired tear gas and rubber bullets at a crowded mosque in the Cape Town coloured mixed-race suburb of Athlone on Sunday night.

According to Mr Le Grange, three shots were fired at the police from the roof of the mosque. He said that armed members of the local Moslem community were attending the service after being warned that it was an illegal meeting, and that people had been warned to disperse. A police captain ordered a number of windows in the mosque to be broken and teargas and smoke canisters were thrown inside, Mr Le Grange said.

According to the Cape Times, angry Moslems gathered in the streets, set up barricades of burning tyres and called for a Jihad (holy war) before being dispersed.

Continued on Page 22

'At least 3,000' detained under SA emergency

BY OUR FOREIGN STAFF

Under South Africa's emergency powers legislation, reporting from the Republic is severely curtailed. The following account was written in London:

AT LEAST 3,000 people have been detained since South Africa introduced a state of emergency last Thursday and the figure is rising, according to reports reaching churches, trade unions and anti-apartheid organisations in London.

Johannesburg's black township of Soweto has been effectively sealed off by police road blocks while mobile units patrol the township, described as quiet early yesterday. According to one account, a 1,000-strong police force raided the Glyn Thomas students' residence at Baragwanath Hospital near Soweto early on Sunday, arresting 60 students.

Press laws now in force forbid local or foreign journalists in South Africa to name detainees, report the numbers arrested or describe security force operations.

Judging by accounts telephoned to London by anti-apartheid activists in South Africa, many of whom went underground in advance of last Thursday's development, the police and army have mounted a search-and-arrest operation on an unprecedented scale.

Organisations whose leaders are now in hiding or under arrest include the United Democratic Front, the country's largest anti-apartheid coalition; the End Conscription Campaign; residents' associations and community groups; legal advice centres; student groups; and many trade unions.

More than 30 Roman Catholic clergy, lay workers and students are among those arrested.

Yesterday, Cardinal Basil Hume, leader of Britain's Roman Catholics, protested "in the strongest terms" and called for "strong and effective pressures – economic, moral and political – to be brought to bear at once on the South African Government."

Anti-apartheid groups in London were attempting yesterday to pool their information about police and army operations. Details remain sketchy, with home and business telephones reported out of order in many cases.

However, early lists of detainees gave an indication of both the geographical spread of the exercise and the organisations apparently regarded as subversive by the South African authorities.

One list made available in London yesterday included: Father Smangaliso Mkhatshwa of the Southern African Catholic Bishop's Conference; Mr Mike Evans of the End Conscription Campaign; Sue Myrdal of the Legal Resources Centre in Cape Town; Johannes Phate, regional co-ordinator of the National Union of Mineworkers; Raymond Suttner, Johannesburg Democratic Action Committee; and Titus Mofolo, executive member of the UDF.

Eurotunnel plans share placing to raise £200m

By Andrew Taylor in London

PLANS to raise £200m ($304m) through an international share placing were announced yesterday by Eurotunnel, the Anglo-French consortium that earlier this year won a mandate from the British and French governments to build a rail tunnel under the Channel between England and France.

The consortium, which is negotiating to raise up to £5bn of loans and standby finance from a consortium of 38 international banks, expects to conclude the placing some time near July 24.

About 250 fund managers are to be approached in the UK with about 70 per cent of the shares to be sold equally between British and French institutions. The remaining 30 per cent, about £60m, will be placed elsewhere in Continental Europe and in Japan and the US.

Shares are likely to cost FFr 120 ($17) each. The sterling equivalent, currently about £11.18 a share, will be calculated just before the shares are issued.

Dividends will not be paid until after the tunnel is opened with an initial net yield forecast on the placing price of about 9.6 per cent in 1994. Lord Pennock, joint chairman of Eurotunnel, said in London yesterday that the new shares were forecast to yield between 15 and 20 per cent overall between now and the end of the 55-year tunnel concession.

The issue will be handled by Morgan Grenfell and Robert Fleming in the UK with Scrimgeour Kemp-Gee and Fielding Newson Smith as brokers. Banque Indosuez, Crédit Lyonnais and Banque Nationale de Paris will handle the issue in France.

Bank finance would be conditional on the consortium's raising at least £650m in equity. Eurotunnel plans to raise £1bn with a £772m public offer proposed for next summer when a listing is likely to be sought on the London and Paris stock exchanges. Founding shareholders in Eurotunnel have already agreed to subscribe £28m in equity.

Negotiations with European, Japanese and US banks have also reached an important stage. Agreement on terms to raise as much as £4.2bn in loans and £1bn in standby facilities is expected to be reached with about 15 lead banks by the end of this week.

They are expected to recommend acceptance at meetings with the other banks in Paris on Thursday and Tokyo on Monday and Tuesday next week. A loan memorandum

Continued on Page 22

EEC calls for urgent study on sanctions

BY QUENTIN PEEL IN LUXEMBOURG

EEC Foreign Ministers backed away yesterday from any instant decision on possible trade sanctions against South Africa, but ordered their national officials to produce an urgent report on possible measures that could be approved by government leaders at their summit next week.

The 12 ministers papered over the cracks between them, leaving Britain and West Germany strongly opposed to any comprehensive sanctions, and Denmark, Greece and the Netherlands all actively promoting them.

There was widespread support for a Dutch plan to ban imports of South African wine, fruit and vegetables – a very modest gesture that would hurt no member state. But Sir Geoffrey Howe, the British Foreign Secretary, fought a determined campaign to put off any decision.

Political directors from each foreign ministry now have the task of producing a joint position before the EEC summit in The Hague on June 26 and 27, including both "positive" measures to step up support for anti-apartheid movements, and possible "restrictive" economic measures.

Sir Geoffrey refused to give any hint of how far the British Government might go to join a common EEC position to put more pressure on the South African Government.

"It is not a question of sanctions or no sanctions, he said after the discussion. Britain remains opposed to comprehensive economic boycotts because they do not work."

Measures had been taken in the past, however, such as those approved by the EEC last September – including an arms embargo, an end to military and nuclear co-operation, and ending cultural contacts.

"The Community, along with the rest of the world, is now considering whether there is a need for any further measures,"said Sir Geoffrey. "Our purpose must be to bring down apartheid, not the South African economy."

The mandate for the political directors is open for the suggestions of any member state. Mr Hans van den Broek, the Dutch Foreign Minister, said: "Nothing is excluded."

Sir Geoffrey retorted in the Council of Ministers' meeting that "nothing is specifically included, either" – a point enthusiastically endorsed by Mr Hans-Dietrich Genscher, his West German colleague.

France, on the other hand, was happy to go along with the Dutch plan for a food and wine ban yesterday – despite the advent of the conservative government of Mr Jacques Chirac.

Such a ban would obviously benefit France, and it would not particularly hurt any member state.

Britain is predictably the largest importer of such produce from South Africa, consuming more than half the vegetables; Ecu 177m ($171m) worth out of fruit imports to the whole EEC valued at Ecu 371m; and wine valued at Ecu 3.8m out of total wine imports of Ecu 5.4m from the Republic last year.

The overall value of South African food and wine sales in its total trade with the the EEC is little more than 6 per cent.

Other possible sanctions which may be proposed to the political directors could include a ban on Air links with South Africa, restrictions on government export credits and on new investment in the Republic.

The food import ban, however, appears the most probable single gesture that might win ultimate approval from all 12 members.

Mr Van den Broek underlined the abhorrence of the Community at the latest state of emergency in South Africa. He repeated the message delivered to the South African Ambassador in The Hague calling once again for the release of political prisoners and the lifting of bans on political groups such as the African National Congress.

EEC foreign ministers warm to plans for currency freedom

BY QUENTIN PEEL IN LUXEMBOURG

EEC finance ministers yesterday gave an enthusiastic first reception to plans for abandoning remaining exchange controls within the Community and promised an early decision on the necessary legislation.

The plans, presented by Mr Jacques Delors, president of the European Commission, would remove any remaining restrictions on companies floating share issues on any EEC stock exchange, and allow free trading in unlisted securities. They would also liberalise long-term trade credits.

As part of a second phase, the Commission proposes to remove all remaining national restrictions on capital movements – while still allowing individual countries to impose limits if they are in serious balance-of-payments difficulties.

The finance ministers gave a much more dubious reception to the idea of bringing indirect taxation rates closer together, as proposed by Lord Cockfield, the senior British Commissioner, as a crucial step towards a genuine common market.

They were presented with a report by top-level national tax officials saying that no conclusions could be reached until the Commission produced more plans, and suggested how such tax harmonisation might work.

The most extreme reaction came from Denmark, in a paper arguing that there was no need to bring taxation rates into conformity at all to complete the Common Market. Denmark has the biggest disparity in indirect taxation from the Community average, and the Government argues that it is a vital instrument of national – as opposed to EEC – economic policy-making.

The differing reactions of the finance ministers to the two initiatives put forward by the Commission was underlined by Mr H. Onno Ruding, the Dutch Finance Minister and current council chairman.

He said the plans for liberalisation of capital movements won "clear support" in the Council, showing a broad consensus on the Commission approach to phasing out exchange controls completely by 1992.

He gave a warning, however, that the question of capital movements was one area where there would inevitably be different speeds of progress by different member-states: the newer member-states, such as Greece, Spain, Portugal and Ireland would certainly have to keep their own exchange controls for longer than the older members.

Mr Giovanni Goria, the Italian Finance Minister, insisted that his Government – the last leading – EEC economy to comply with the present requirements for free capital movement – had a clear target of full liberalisation. It had to go hand in hand with improvement in the country's economic situation, which was clearly under way, he said.

The ministers ordered the Monetary Committee (of senior treasury officials), the Committee of Central Bank Governors, and the Committee of National Representatives in Brussels to give their opinions on the first Commission directive by the October meeting of the Finance Council.

On the tax plans, however, they simply asked for more details from the Commission by April next year.

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Christian Tyler visits Besançon, once home of France's most famous watchmaker

French industrial drama has a happy ending

A series of factory occupations and the creation of a co-operative at Lip stirred passions all over France in the 1970s. Now, the current of industrial change has produced an effect that few then would probably have expected

HIDDEN in the rubble and broken glass on the floor of the derelict factory lay a dirty yellow price list: gents' and ladies' watches for sale by the Lip workers' co-operative.

Rain was pelting through broken panes. Under a trade union banner in the entrance hall someone had scrawled *Sales bicots* ("dirty wogs"). The villa behind the factory, once the offices of France's most famous watchmakers, is a shambles of fallen plaster and splintered woodwork.

For 15 years this factory at Palente in Besancon, capital of the eastern department of Le Doubs, was the scene of one of the biggest industrial dramas of post-war France.

The struggle of the Lip workers against the slow death of their industry began in 1971 with a long strike against threatened lay-offs, followed by factory occupations in 1973 and 1976. The workers sold FFr 10m (£1m) worth of watches in stock on one occasion to pay themselves wages.

Led by Charles Piaget of the CFDT trade union, and inspired by the mysterious Franciscan worker-friar Jean Raguenez, 1,200 workers in this prosperous valley under the Jura mountains stirred passions throughout France. They even won over the mayor and the archbishop of Besancon to their cause.

It took 10 years for Besancon to shake off its notoriety. According to local businessmen today, the clouds parted only in 1981 when the area was chosen by Dupont, the French subsidiary of the US chemical conglomerate, for a new factory making connector systems for the electronics industry.

But even now, men like Georges Jolivet, former Lip production manager with 25 years in the company, cannot speak of the affair without bitterness. "It was the theft of the century. For me it is a very bad memory," he said.

The Lip workers may have failed to halt the march of Asian competition, under which French and Swiss clockwork was replaced by quartz electronics made mainly in Japan. But Besancon itself appears to have weathered the storm. Unemployment is 10.4 per cent, among the lowest rates in France, and there has been no net loss of jobs in engineering in the past 10 years, according to Le Doubs development agency.

Besancon's precision engineers, whose forbears squinted over miniature cogs and spindles, now make components to tolerances of a few microns for multinational companies like IBM and General Motors or the vast local factories of Peugeot.

Cheval Freres, for example, still makes crowns (winders) for watches and ruby jewels (bearings) for quartz movements. But it also makes floppy disk readers for IBM Europe, and its proficiency at laser-drilling has encouraged it to build laser machines for sale on its own account.

Likewise Matra Horologerie in the nearby mountain villages of Morteau has given up making movements, and turns out cases and straps. With seven brand names, it still claims more than 40 per cent of the domestic market. It has become, in effect, an engineering fashion house: indeed Matra is probably the anonymous maker of many of the haute couture watches sold under names like Yves Saint Laurent and Cartier.

The Lip workers themselves have also been swept along in the current of industrial change. The original workers co-operative, set up in 1977, still exists, rehoused on the other side of the city. It now employs only 110 people, of whom 80 are survivors of the struggle. It made its last watch on April 13 and now turns out industrial micro-components, like any other subcontractor in the region.

The famous watch brand name was sold in 1984 to an assembler in Morteau that wanted an upmarket companion for its Kipler brand timepieces sold in supermarkets.

Shorn of its managers and technicians, the co-operative had run into further trouble in 1983, when its present chief executive Mr Maurice Chaniot was recruited from big business. "It's been a painful and costly conversion," Mr Chaniot said. "I think I can make money, but it will be hard."

Propped up by a FFr 15m loan at slightly under market rates, Lip is buying its buildings from the municipality and the Chamber of Commerce over 15 years.

Mr Chaniot himself believes in the co-operative idea: he describes it as a structure that favours different social relations, producing better economic performance. "But it's odd that the idea is so little developed here, the area that produced the Utopians Fourrier and Proudhon."

Another 100 former Lip workers are employed in three other co-operatives. Most of Lip's research team eventually broke away to set up a research and development company called Statice (meaning "perpetual flower"). The original nine are now 22 strong, and produce a baffling array of gadgets for the medical, nuclear and electronic industries in a futuristic atelier on the outskirts of town.

"When we started we were regarded as traitors by the other union members," said Mr Alphonse Petitjean, an expert in new materials. "But they have some regard for us now and we are known all over France for our work here. The notoriety of Lip helped us, too, because Lip was famous for its research."

Charles Piaget, the union leader, has retired. Brother Raguenez, the friar, worked for one of the smaller co-operatives until three years ago. He is now said to be "on sabbatical." The ruined factory of Palente was bought by the municipality last year. A board outside proclaims it as a future nursery for micro-electronics entrepreneurs.

Mr Fred Lipmann, the dynamic but over-ambitious boss of what was once France's largest watchmaker, and whose decision to sack 200 workers precipitated the struggle, left shortly after it began. Nearly 80 years old now, he winters in Cannes.

Economy heads for growth in Switzerland

By William Dullforce in Geneva

THE SWISS economy is heading for stable growth in the ensuing months, according to the latest batch of official statistics. They give backing for the prevalent assumption that the Swiss franc will continue to be firm on the currency exchanges.

The principal factors underpinning the health of the economy are the falls in oil prices and in interest rates which have helped sustain demand for Swiss exports longer than might have been expected.

Almost the only negative indicator is a slight decline in new industrial orders during the first quarter. The results of the latest survey by the Federal Office for Industry and Crafts were "in general less good" than those for the last quarter of 1985.

In contrast, the inflation and unemployment rates declined again last month and the trade deficit for the first five months at SFr 3.55bn (£1.1bn) was roughly 10 per cent lower than in the corresponding period last year.

Full balance of payments figures for the period are not yet available but Switzerland's income from services regularly leaves it with a substantial surplus on the current account.

Opinion polls raise doubts on Spanish Socialists' prospects

BY DAVID WHITE IN MADRID

DOUBTS AS to whether Spain's Socialists can repeat their absolute majority of seats next Sunday are raised in a contradictory series of opinion polls published in national newspapers.

The three polls, based on similar samples of 5,000-6,000 voters, come to radically different conclusions about the Socialist share of the general election vote. One poll shows it being sustained at 48 per cent while the other shows it cut to 40 or 41 per cent.

The most favourable to the ruling party, published in the Centrist Diario 16, indicates the Socialists could obtain up to their 1982 total of 202 seats, while the most negative published in the Catholic Ya shows them dropping to 158 seats—well below the 176 needed for an outright majority.

The third poll in the largest circulation daily El Pais, puts the Socialists in a precarious range of between 167 and 194 seats.

The polls broadly agree, in predicting a small but not drastic drop for the right-wing Popular Coalition, a strong comeback for Mr Adolfo Suarez, the former Prime Minister, a recovery by the Communists in their new alliance with other left-wing parties, and an advance by the extremist Basque Group Herri Batasuna (Popular Unity).

Popular Coalition, with 23-24 per cent of the vote compared to 26 per cent four years ago, is seen losing between one and 23 seats compared with the previous 106.

Mr Suarez's Democratic and Social Centre (CDS) shows strong gains, especially in the Castile-Leon region and is expected to raise its seats from two to at least 15 and possibly up to 32. By contrast, the new Democratic Reformist party (PRD) is not given more than eight seats by the most optimistic forecasts.

Its sister party in Catalonia, Convergencia i Unio, could increase its 12 seats to as many as 20, according to both the Ya and El Pais polls. The result in Catalonia produces the biggest divergence between the polls, with Diario 16 forecasting a clear Socialist win as in 1982 and Ya's poll predicting a Socialist defeat.

Another party poised to play a key role if the elections produce no outright majority—the Basque Nationalist Party—is broadly seen maintaining its position of fours years ago when it won eight seats, while Herri Batasuna, which is aligned with the Eta terrorist organisation and which refuses to occupy seats in parliament, is expected to increase its total from two to between three and five.

The Communist-dominated United Left is seen improving on the Communists' 1982 score of under 4 per cent, regaining some seats but not as many as the 23 it had before.

Mr Santiago Carrillo, the veteran former Communist leader, who is fighting on a separate platform, is not expected to retain his seat.

In Andalucia, which is holding simultaneous regional elections, the Socialists are expected to come close to their previous overwhelming majority.

Polish economic planners seek more radical policies

BY CHRISTOPHER BOBINSKI IN WARSAW

POLAND'S Planning Commission, under fire from economic reformers for its original cautious draft of the 1986-1990 plan, is working on a new more radical version to be presented for debate at the Communist Party Congress at the end of this month.

The original draft plan has been criticised for retaining too great a measure of central control over distribution of goods and raw materials without due regard to introducing realistic prices aimed at inducing efficiency.

Traditional investment patterns favouring heavy industry have also been criticised as a threat to the modest progress *decentralising reforms have* made since 1981.

The Government has been defending its approach by warning that attempts to balance supply and demand by reducing subsidies and raising prices on the scale demanded by some reformers would lead to social unrest.

Recently, professional groups such as the Polish Economic Society have called for the reforms to be given a decisive impetus and criticised the Planning Commission's proposed plan.

The government also went on the defensive when on May 31, Gen Wojciech Jaruzelski, the party leader, criticised ministries, without naming them, for their conservatism.

The Communist Party Congress could thus see a continuation of the criticism of the Government and open the way to widespread ministerial changes.

Meanwhile, the Planning Commission has made no secret of the fact that it thinks its new version is flawed by the risk of provoking unrest and may yet look for compromise policies.

These are suggested by a report published at the weekend by the Government's consultative economic council, (KRG), a government advisory body which urges a steep 15 per cent growth in consumer prices in the first two years of the plan, levelling *down to* a 3-4 per cent inflation rate by 1990.

The price increases would take in a major growth in energy costs aimed at conserving fuel and further devaluation of the Polish Zloty.

Basic foods, the KRG argues, should remain relatively stable, but it presses for sharp increases in the prices of durable consumer goods aimed at balancing demand.

The KRG also wants drastic cuts in capital investment projects with more than two years to completion, many of which have over the past five years been fiercely defended by the conservative industrial lobbies. It also wants a shift to capital spending on export and consumer goods production.

Bulgaria takes steps to shield nuclear reactors

BY LESLIE COLITT IN BERLIN

STEEL reinforced containment buildings are to be erected around the reactors in Bulgaria's new Soviet-designed nuclear power plants, to prevent radioactive leakage into the atmosphere.

Mr Nikola Todoriev, chairman of the new Bulgarian Economic Trust for Energy, said the VVER 1,000 mw reactors are to operate inside containment buildings designed to tarp radioactivity "in the event of an accident."

The cylindrical reinforced concrete buildings lined with steel sheet will be able to withstand the impact of an aircaft crash.

Such containment structures are obligatory in the West but net in the Soviet Union and Eastern Europe.

The Soviet-designed VVER 440 mw pressurised water reactors which provide all of Eastern Europe's nuclear electricity have been erected both with and without simple containment vessels.

Bulgaria, which generated 30 per cent of its electricity from nuclear energy last year—the highest proportion in Comecon—is constructing two VVER 1,000 Mw reactors at its Kozloduy nuclear power plant where four 440 Mw units—without containment buildings—are located.

Workers from Vietnam, Poland and Cuba have been brought in to help meet the 1987 and 1989 completion deadlines.

Bulgaria is planning to instal two more 1,000 Mw reactors and wants to generate up to 17 per cent of its electricity from nuclear energy by the year 2000.

Mr Todoriev said the new VVER 1,000 Mw reactors were of a "new quality" based on "extremely high safety standards."

He noted that even before the nuclear accident at Chernobyl, Bulgaria and the Soviet Union had worked out a detailed programme to add safety devices to Bulgaria's 440 Mw reactors during the period they were under repair.

He noted that mankind had no reason to halt the expansion of nuclear power output as it was the only way to solve energy problems.

Mr Todoriev said Bulgaria had overcome its severe energy shortage of the past two years by restricting electricity use of the largest industrial consumers of energy, and by raising electricity rates for consumers.

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Shares surge on outcome of Lower Saxony poll

BY PETER BRUCE IN BONN

ACCOMPANIED BY a powerful surge in share prices on the Frankfurt Stock Market, West Germany's main political parties withdrew into smoke-filled rooms yesterday to try to draw lessons from Sunday's critical state election in Lower Saxony.

On Sunday, the governing Christian Democrats (CDU) emerged needing to form a coalition with the Free Democrats to command a majority in the state parliament in Hanover.

In Frankfurt, where the market had watched with trepidation as Chancellor Helmut Kohl's CDU fell well behind in the Lower Saxony polls a month ago, share prices rose strongly.

The rise was prompted by the news of the failure of the opposition Social Democrats (SPD) and the radical Greens to dislodge the CDU and the Free Democrats (FDP), with whom the CDU governs in Bonn.

Motor companies, a good "confidence" barometer because they are also favourites with foreign investors, rose particularly strongly.

BMW added DM 25 to reach DM 600 (£153) a share, with Daimler Benz adding DM 31 to reach DM 1,455 and Volkswagen up DM 20, at DM 570. The Commerzbank index rose 49.7 points to 2,065.8.

Sunday's vote, probably as good a test of national opinion ahead of next January's general election as is possible, was desperately important to Mr Kohl.

His removal as party leader in the event of a loss was being quietly discussed in the CDU, even though there is no obvious candidate to replace him before next January.

Although the CDU lost the overall majority which was won in 1982 when it polled 50.7 per cent of the vote, the 44.3 per cent won on Sunday is less than two percentage points under the vote it took in the state in the last general election in 1983.

Mr Kohl admitted yesterday that the CDU vote had been hit by abstentions, certainly many by farmers unhappy with the central Government's handling of farm price negotiations earlier this year in Luxembourg.

The CDU, reflecting the real fear of losing which arose after the Chernobyl nuclear accident, and the Government's fumbling response to it, is also taking great satisfaction from the simple fact that Mr Ernst Albrecht, the party leader in the state, is still premier.

The FDP, for its part, has put forward rather lofty conditions for its co-operation. These are not thought to be threatening to Mr Albrecht, but it is demanding to be given the Lower Saxony agriculture ministry.

"The economics ministry wouldn't be bad either," said Mr Martin Bangemann, the federal Economics Minister and FDP leader.

While the FDP again confounded commentators by breaking the 5 per cent barrier enabling it to be in the state parliament (it won 6 per cent), the result on Sunday was a serious setback for the Greens.

After Chernobyl, polls had the environmentalists winning up to 12 per cent of the vote.

The 7.1 per cent achieved on Sunday, up from 6.5 per cent in 1982, is meagre fare given the circumstances, and is being treated as failure in some parts of the party.

The Greens failed badly in the state polls in the Saarland and in North Rhine Westphalia last year and a better result on Sunday could have meant that the Greens would have been able to put the SPD into power—a position they constantly strive to achieve.

The fact that the Green vote was not big enough to make them effective power brokers probably came as a huge relief to Mr Johannes Rau, the premier of neighbouring North Rhine Westphalia and the SPD's candidate to oppose Chancellor Kohl next January.

The SPD could have been deeply embarrassed by a second association with the Greens at state level (the State of Hessen is run by an SPD/Green coalition) a few months before the January poll.

As it is, the party has been able to lose with some honour, its share of the vote rising from 36.5 per cent in 1982 to 42.1 per cent on Sunday.

EEC small business funds blocked

By Tim Dickson in Brussels

APPROVAL FOR an Ecu 1.5bn (£1bn) tranche of new lending by the European Investment Bank (EIB)—the proceeds of which would go to small and medium-sized businesses in the Community—is currently being blocked by EEC member-states.

A proposal by the European Commission, which has been on the table for more than a year, continues to be bogged down in the face of objections from Holland and Germany.

Set up by the Treaty of Rome, the EIB raises the bulk of its funds for lending on the international capital markets and is concerned particularly with the economic development of less privileged regions.

Since 1979, it has also been acting as an agent for the Community in granting loans under the so-called New Community Instrument (NCI).

The money for NCI is also raised on international markets but the scope of eligible projects is slightly wider than that for lending from the EIB's "own resources."

This is targeted spefically at such areas as regional development, energy conservation, and environmental protection, whereas under NIC, all small- and medium-sized enterprises can qualify.

Three NIC tranches have been approved by the Community since 1979 but the latest has run into trouble

● The EIB's annual report for 1985 published yesterday showed that total lending for 1985 was Ecu 7.18bn compared with Ecu 6.9bn in 1984.

The lion's share of EIB funds within the Community continues to go to Italy (almost 44 per cent) with France (18.4 per cent) and the UK (16.6 per cent) the next biggest beneficiaries.

Hopes rise on Turkish-EEC links

BY DAVID BARCHARD IN ANKARA

BY THE end of this week, Turkey will know whether or not its recent improvement in its relations with the European Community is going to be maintained.

The Turks hope that yesterday's meeting of EEC foreign ministers in Brussels will have produced agreement to hold a meeting of the Turkey-EEC Joint Association Council in the autumn of this year.

The council—the governing body of the Turkish-EEC Association—has not met since 1980. Though there has been a considerable improvement in the past three months in the atmosphere between Brussels and Ankara, four major sets of problems still loom.

The Turks hope that these will be resolved in the second half of this week when the EEC's Commissioner for South European and Mediterranean Affairs, Mr Claude Cheysson, arrives in Ankara.

Major hopes are being pinned to Mr Cheysson's three-day visit. Ankara wants to reactivate the association agreement, virtually defunct since the late 1970s.

Hope that the flow of European Community aid will be revived is one factor behind this desire. About $530m (£353m) of Community aid has been blocked since 1981.

A much more potent influence, however, is the desire to stimulate commercial and political relations. Turkish industrialists who are facing the loss of some previously lucrative markets in the Middle East, such as that in Iraq, now view their future expansion as being closely linked to access to the much larger markets of Western Europe.

In May this year, Turkey and the Community, for the first time, reached amicable agreement on self-regulation for Turkish textile exports to the Community.

Turkish industrialists now seem to feel that the way forward to increased trade with Europe lies in mutual goodwill and understanding.

Mr Cheysson's visit is being made at the request of a number of top Istanbul industrialists who visited Brussels in the last quarter of 1985.

The Turks also wish to open the way for Turkey to become a full member of the Community in the not-too-distant future. This spring, Mr Turgut Ozal, the Turkish Prime Minister, warned Turkish industry to assume that the country would be a full member of the EEC within 10 years.

Some Turks believe that the process of accession may take double that time—but virtually all shades of political opinion in the country want to see progress begin soon.

However, the agenda of problems to be discussed with Mr Cheysson remains formidable.

Ozal . . . warning to industry

Top of the list is the question of discrimination against the Greek ethnic minority in Istanbul. A secret government decree of January 1964, reissued (though never published) last year, restricts Greek property rights.

Greece used the issue this spring to block the normalisation of Turkey's relations with the Community. Community lawyers believe that the Greek case is watertight.

Ankara is now believed to have softened its line.

A second major stumbling point is the question of free migration of Turkish labour inside the Community. This commitment was agreed to by the Community 13 years ago.

In theory, from December 1st, Turkish workers will be able to seek work freely anywhere inside the Community. Turkey has regarded this as a trump card until recently, feeling that in return for dropping insistence on unrestricted labour movement, it could extract major political and economic concessions.

Negotiations over the issue have been largely confined to the West Germans who have the largest population of Turkish workers in Europe. But the West German line has hardened in recent months.

The third issue is tariff reductions. In theory, Turkey is more than half-way through a programmed timetable of tariff reductions which lead up to a customs union in 1995.

Though some import tariffs have been cut, there has been no element of preferentiality for the European Community—and Mr Ozal's Government has slapped a series of major surcharges on specified imports to finance extra-budgetary government funds.

Mr Cheysson this week will probably try to persuade Turkey to move slowly on a possible application and to try to speed up progress on the trade and political issues at present dividing Turkey from the Community.

Demirel on TV fuels talk of political deal

BY OUR ANKARA CORRESPONDENT

A SURPRISE television appearance by the former Prime Minister, Mr Suleyman Demirel, has triggered banner headlines in Turkey's press, and speculation that some sort of far-reaching political bargain may be being hatched.

Mr Demirel has not been shown on Turkish television since the coup which ousted him as Prime Minister in September 1980. However, last Saturday, to the astonishment of Turkish viewers, he was featured on television giving a lecture on a major hydro-electrical project in Eastern Turkey.

Turkey's radio and television news are strictly controlled and function as little more than a state information service. Opposition politicians regularly complain that they are excluded.

Mr Demirel's position is made more controversial by the fact that he is banned from engaging in politics and until earlier this year, it was technically an offence even to quote him.

But Monday's papers carried speculation that the Prime Minister was trying to lay the ground for an eventual coalition with Mr Demirel's followers if he does not win Turkey's next elections, due in 1988.

Another explanation was that Mr Demirel was shown on television in order to discredit his persistent claim that Turkey is not fully democratic at present.

Mr Bulent Ecevit, the Social Democrat former Prime Minister, still has to make his first post-coup TV appearance. One newspaper predicted this was being planned for mid-July.

Mitterrand-Kohl talks to touch on N-power fears

BY DAVID MARSH IN PARIS

WEST GERMAN concern over safety of French nuclear power stations along the countries' border is likely to be raised at today's meeting between President François Mitterrand and Mr Helmut Kohl, the West German chancellor.

Talks between the two leaders, the latest in a regular series which brings them together on average about once every five weeks, are also expected to centre on European defence and East-West issues as well as South Africa.

Mr Kohl has been put on the defensive since the Chernobyl accident over West Germany's nuclear power policies. He is unlikely to make any pressing demands on Mr Mitterrand over the future of France's Cattenom nuclear plant near the Luxembourg and West German borders.

But officials in Paris said the subject would probably come up in the talks, to be held at Rambouillet south-west of Paris.

A demonstration on Sunday to protest against the plant—planned to group four 1,300 Mw reactors—drew 10,000 people, most of them from West Germany and Luxembourg.

Sunday's demonstration at the Cattenom plant on the Moselle river confirmed the weakness of the French anti-nuclear movement in spite of the controversy over the Chernobyl mishap.

Only about 1,000 French people were estimated to have taken part, made up of a mixture of coalminers from north-east France and local ecologists and left-wingers.

The Social Democratic regional government of the Saar in West Germany as well as the Luxembourg town council have deposed lawsuits at the administrative court of Strasbourg to try to block the entry into service of Cattenom.

The first 1,300 mW tranche of the power plant is scheduled to come on stream in October.

The nub of the court case is that the plant's radioactive emission levels will exceed limits laid down in West Germany of 3 curies per year, even though they will remain within the wider limits drawn up in France.

Officials at Eléctricité de France, the state-owned utility, play down the importance of the court case but say they believe it is the first time official bodies from outside the country have tried to block entry into service of French nuclear plants.

The latest demonstration against Cattenom follows another anti-nuclear protest on the Rhine near Strasbourg last month where German opponents again far outnumbered French.

Bank of France acts to lower interest rates

By David Marsh

THE Bank of France yesterday lowered its money market intervention rate by 0.25 per centage points to 7 per cent, adding to pressure on the main commercial banks to cut their base lending rates, presently pegged at 9.6 per cent.

The central bank's action is clearly indicated as a signal to French financial markets, which have weathered a sharp downturn over the past month, that the room for further lowering of credit costs has not yet been exhausted.

French officials also yesterday pointed out that the Bank of France was acting unilaterally rather than taking part in an international round of interest rate cuts.

Mr James Baker, the US Treasury Secretary, has recently put the onus on European countries, led by West Germany but also including France, to take the next move in cutting rates.

The Bank of France said the latest fall in the money market intervention rate, which follows a 0.25 point cut on May 15, was justified by the current strength of the franc within the European Monetary System and by further progress in reducing inflation.

Consumer prices in May rose 0.2 per cent, according to better-than-expected provisional figures issued last week, bringing the year-on-year inflation rate down to 2.3 per cent.

French money supply figures have also shown a tapering-off in higher-than-planned monetary growth, with the M2 aggregate rising by 5.3 per cent during the three months to April compared with the February-April period last year.

This is still, however, slightly above the 5 per cent target rate which Mr Edouard Balladur, the Finance Minister, has set for 1986.

China to hold safeguards meeting soon

By Patrick Blum in Vienna

CHINA and the International Atomic Energy Agency (IAEA) will hold a first round of talks in Peking in August on future inspections of some of its nuclear facilities, Dr Hans Blix, the IAEA's secretary-general, said yesterday.

At the IAEA's annual conference last September China announced it would allow international inspection of some of its nuclear installations.

The August talks will seek to establish the basis for future inspections under the IAEA's "safeguards régime" which aims to ensure that nuclear materials are not diverted for military purposes.

Until now, China was the only nuclear-weapons state not allowing such inspections. Britain, France, the US, and, since last year, the Soviet Union, voluntarily allow some inspection.

China has only a few research reactors and some nuclear laboratories, but it also has an important nuclear development programme.

Construction of a first 300Mw pressurised water reactor at Qinshan began in February 1984 and it is to be connected to the electricity grid in 1989.

Dr Blix also said that the agency's board of governors had agreed to recommend an increase of $2m (£1.3m) in the agency's budget for safety-related work in 1987.

AMERICAN NEWS

Reagan meets Afghan guerrillas

By Nancy Dunne in Washington

PRESIDENT Ronald Reagan *yesterday dramatised* his commitment to anti-Communist movements by inviting to the White House both leaders of the Afghan resistance alliance and *congressional supporters of aid* for the US-backed Nicaraguan rebels.

A spokesman for the Washington-based Committee for a Free Afghanistan said the visiting guerrilla fighters were seeking political support and humanitarian assistance, and not, necessarily, weapons.

However, the Afghans are known to be in critical need of anti-aircraft weapons for use against Soviet helicopters and jet fighter aircraft. The US is believed to have provided hundreds of millions of dollars of covert military aid in the past.

The delegation, headed by Mr Burhanuddin Rabbani, present leader of the Jamiat-I-Islami, met yesterday Mr George Shultz, the Secretary of State, and Mr Michael Armacost, his Under-Secretary.

The President is once again pushing his request for $100m in aid to the rebel Contras, and the House, which has balked at providing the funding, is expected to reconsider the request next week.

At a press conference last week, the President declared that the time had come "for an up-or-down vote on freedom in Nicaragua."

But his request has run into new trouble with allegations that previous aid designated for "humanitarian purposes" has been misspent.

The Administration's Nicaraguan policy has also come under fire in a report issued by two *Washington-based think-tanks*, the Centre for International Policy and the Overseas Development Council.

According to the report, the US *trade embargo against Nicaragua* has been "a net loss" for US policy because, instead of weakening and isolating the Sandinistas, the measure "has prompted more diversified and *potentially* stronger Nicaraguan trade links."

Budgetary and time constraints are provoking debate in Washington, reports **Peter Marsh**

Shuttle disaster deepens doubt on Star Wars

"THE CHALLENGER accident has shown we are still space pioneers, not star warriors." This remark from a Congres*sional aide, referring to* January's space shuttle explosion, sums up some of the difficulties facing President Ronald Reagan in preserving enthusiasm for his anti-missile Star Wars project, formally called the Strategic Defence Initiative.

The January mishap, which has resulted in a suspension of *all shuttle flights for at least* the next year, "has led to a marked reduction in the US's acceptance of large-scale technology programmes," according to Dr David Webb, a space consultant and a member of President Reagan's National Commission on Space.

According to many observers, the accident may increase *scepticism about whether the* ambitious technical goals of SDI are achievable and lead to a reduction of enthusiasm for the project in Congress.

In recent weeks, President Reagan has voiced his determination that the Star Wars project should go ahead as planned, despite the threat of cuts in the $5.4bn which he wants to spend on the programme in the financial year beginning in October. The SDI project, which will cost a total of $26bn, is intended to devise a shield based on exotic devices such as laser guns and rockets to defend the West against nuclear missiles.

The entire UK defence budget, for which President Reagan has requested $320bn, is *feeling the effects* of the Gramm-Rudman-Hollings Bill which is limiting US public spending. In spite of the President's entreaties, Congress is expected to allocate to Star Wars no more than about $3.5bn.

The President's proposals include a request for $4.8bn for the Pentagon and $600m to be spent by the Department of Energy, but according to some Washington onlookers, the arguments may be irrelevant to the main issues.

Mr John Pike, a space policy analyst at the Federation of American Scientists, says that the Administration's budget request contains about $2bn of "fat" — programmes not vital to the main drive of the project and which the Pentagon *thinks could be sacrificed.*

One undoubted result of the Challenger disaster, however, is to hold up some of the Star Wars experiments which the Pentagon has scheduled for the next two years, several of which require shuttles to lift objects into space. The space experiments include tests of sensors to determine whether Soviet missiles can be tracked accurately as they cruise above the atmosphere.

The Pentagon may also need the shuttles for a "space spectacular" which it is believed to be *planning, to demonstrate* how a ground-based laser can destroy a target in space. In this experiment, high-energy light from a laser based on a free-electron device would be directed towards a missile by a satellite-mounted mirror, which a shuttle would deploy.

It is also becoming clear that the Reagan Administration may have difficulty keeping to its timetable for Star Wars, partly because of the shuttle delay, but also because of the exceedingly ambitious nature of the original goals.

President Reagan's aim for SDI, was to complete the research phase within five years, so that the US could decide in the early 1990s whether deployment was *feasible.*

Even supporters of the programme see problems in this timescale. According to Dr Webb, the consultant, progress is unlikely to be rapid enough to permit deploying a Star Wars shield until well after the year 2000. Even then, the huge costs of putting the system in place could well dissuade the US from doing so.

In the past year or so, the Pentagon body, known as the SDI Organisation, has increasingly given the impression of being in a hurry to complete its brief. Lt General James Abrahamson, the organisation's director, takes an almost perverse delight in handing out contracts on the basis of "horse races," where funds to companies can be summarily cut off if they fail to make sufficient progress in a set number of months.

The organisation has also cut back on more esoteric projects and concentrated on technologies which appear to offer the most promise in the short term.

Professor Ashton Carter of Harvard University, a prominent opponents of Star Wars, criticises the concentration on a few large-scale projects aimed at rapid demonstrations of technology. Many of the SDI projects now receiving favour in the Pentagon are little more than technical stunts which are intended to keep the programme in the public eye and shore up support, he says.

"There is a feeling in Congress of 'Why the rush?,'" says Mr Doug Waller, an assistant to Senator William Proxmire, who has opposed increased spending *on Star Wars. According to* Mr Waller, the US should continue the programme at a lower level of spending

SDI advocates see these moves as thinly-disguised efforts to kill off the project. It is believed that the SDI Organisation wants to keep up spending as near to the President's request as possible, to maintain a high profile for Star Wars until after 1988, when a new President will be in the White House.

This strategy involves handing out big contracts to the aerospace and defence industries—*so far about $5bn has been com*mitted to keep up the momentum of the programme.

SDI planners believe that the greater the head of steam built up before the election, the better will be the chances of Star Wars remaining in favour with the new incumbent.

Barbados reviews security role

BY CANUTE JAMES IN KINGSTON

MR ERROL BARROW, newly *elected Prime Minister of* Barbados, is to review his country's participation in the US-backed Regional Security System (RSS). The move is at odds with the recent conservative, pro-US trend in the Caribbean and may cause concern in Washington.

The RSS, which is equipped and trained by the US, was set up shortly after the US invasion of Grenada in October 1983. It is intended as a regional strike force to put down insurrection in any of its seven eastern Caribbean *members.*

The seven contribute troops to a standing army with head*quarters in Barbados.*

Although the invasion of Grenada was backed by his Democratic Labour Party, Mr Barrow himself had reservations. "We have to watch this Regional Security System very carefully because it was contrived in Washington," he said recently.

"I have reservations about anybody in Washington sitting down and telling us what we should have in the eastern Caribbean." He is also likely to reduce the Barbados army to one sixth its present comple*ment of* 1,800.

Mr Barrow is apparently keen that his changes in *foreign policy, particularly to*wards the US, are not regarded as anti-American. Two key sectors in the island's economy — tourism and manufacturing — are dependent on the US market. But he is clearly not over enthused about an increase in the US presence in the eastern Caribbean.

"If it is a presence in the shape of tourists I think it should be increased. But if it is the shape of people from the Central Intelligence Agency and the State Department, I am not in favour of it," he said.

Argentina likely to draw last part of IMF loan

BY PETER MONTAGNON, EUROMARKETS CORRESPONDENT

EXPECTATIONS are growing that Argentina will be able to make a final SDR 237m (£182m) drawing on its SDR 1.1bn (£847m) International Monetary Fund standby loan despite its failure to meet key economic targets.

Talks between the IMF and Mr Jose Luis Machinea, Argentina's Undersecretary of Economic Affairs, ended at the weekend without any formal announcement that the IMF was prepared to waive the economic policy conditions. However, bankers believe that such a proposal will be put to the IMF's executive board once a formal request is received from Buenos Aires.

Argentina badly needs the waiver in order to draw a further $600m from its commercial bank creditors by the end of the month when last year's $4.2bn loan agreement is due to lapse.

Bankers said the IMF was unlikely to want a showdown with Argentina over missed policy targets at a time when it is having to concentrate its efforts on persuading Mexico to reach an economic policy agreement agreement

Robert Thomson reports on the drive for 'one China'

Peking polishes Kuomintang image

HISTORY has been refurbished in Xikou, a mundane township in Eastern China that had learned to live with the shame of being the birthplace of the hated Nationalist Generalissimo Chiang Kai-Shek.

Once regarded as the worst of war criminals and an enemy of China, the generalissimo's reputation is being redecorated by Peking. He is now said to have played a partly "positive role" in history, according to Chinese officials, who candidly admit that the reinterpretation is part of China's plan to lure Nationalist Taiwan back into the fold.

The salt shop in which Chiang was born has been overhauled, and the family tomb has been turned into a tourist attraction, where visitors can have their photographs taken by enterprising young men who have set up shop on a card table.

Through a group of visiting journalists, local officials last month invited Chiang's son, Chiang Ching-kuo, the present Taiwanese President, to visit his hometown to "see relatives and friends, and witness what is going on."

President Chiang is unlikely to reply. His Government still officially regards the Communists as a "bandit regime" and "rebellious renegades." Its own reunification policy has the ambitious aim of luring the mainland back into the Nationalist fold.

In recent months, China has been using a broad brush to repaint its portrait of the Kuomintang, the former Nationalist Government, ousted by the Communists, and has intensified its drive for "one China." An inordinate amount of time was devoted to making impassioned but futile pleas to the Taiwanese kin at the just completed session of the National People's Congress, China's parliament.

The 40th anniversary last year of the end of what is called the "anti-Japanese war of aggression" provided the Chinese media with an opportunity to portray the Kuomintang contribution in a more favourable light.

Emphasis was given to the theme that the Communists and the Kuomintang had "joined hands" in resisting the Japanese, and that the time had come for them to "join hands again for the great cause of the peaceful reunification of the motherland."

With prodigal Hong Kong on the way home, the Chinese Government has become more interested in Taiwan's future. The paramount leader, Deng Xiaoping, is said to have set reunification as a personal goal, and the older the 81-year-old leader becomes, the stronger becomes the push from Peking.

Gen Chiang . . . partially rehabilitated

Part of the "Convince Chiang" campaign includes highlighting what is said to be his patriotic act of inscribing "blood for blood" on a stone tablet in Xikou after his mother was killed in a Japanese attack.

Chinese leaders have promised Taiwan, which was occupied by fleeing Kuomintang forces in 1949, a better deal than that provided in the agreement with Britain for the handover of Hong Kong in 1997. They have said that the economic system will be maintained, and that Taiwan will even be able to keep its army.

The turn-around in China's tack has been remarkable. Whereas before the better aspects of Chiang Kai-shek's character had been conveniently overlooked for the sake of propaganda, now some of the more gruesome details are glossed over.

The vice-governor of Zhejiang province, Li Debao, whose administration is responsible for Xikou, said Chiang "committed some crimes, but there is no denying that as a historical figure he played some positive role in modern Chinese history."

So far, all this hacking at history has been in vain. The Taiwanese Government will go on calling the Chinese leaders "illegal usurpers," and go on putting quotation marks around Peking's ministries to give them a ring of fraudulence.

In the long run, after Deng Xiaoping's rule is over, a radical change in Taiwanese policy will at least depend on stronger evidence that the Chinese leadership will not be as capricious with their promises as they are with history.

UN to mediate in Greenpeace dispute

UNITED Nations Secretary-General Mr Javier Perez de Cuellar said yesterday he would act as a mediator to settle the Rainbow Warrior dispute between France and New Zealand, Reuter reports from Paris.

"I believe that the final decisions detailing my role have not been taken yet," Mr Perez de Cuellar said after meeting French Prime Minister Jacques Chirac.

"But I can confirm that I have been approached and have agreed to act as mediator when these decisions have been taken."

Relations between France and New Zealand have been near breaking point since last July when French agents sank the Greenpeace flagship in Auckland harbour to stop it leading an anti-nuclear flotilla to France's Mururoa Atoll test site.

New Zealand has demanded compensation for what it called an act of state-backed terrorism. Paris insists on repatriation of two agents jailed for 10 years.

Dai Hayward adds from Wellington: The Government has introduced legislation abolishing sales tax on hundreds of items and commodities in readiness for the introduction of the goods and services tax (GST), New Zealand's version of VAT, in October.

Among the sales taxes which will disappear is the $40 departure tax for all passengers leaving through New Zealand airports and the sales tax proportion of cinema admission prices.

Sales tax was first introduced as a temporary measure in New Zealand in 1933. It now ranges in value from 7½ to 40 per cent of the wholesale price of most articles.

Egypt seeks bilateral deals with creditors

BY TONY WALKER IN CAIRO

EGYPT is seeking bilateral arrangements with its major international creditors rather than be forced to go to the Paris Club and accept a comprehensive rescheduling of its foreign debt, which stands at more than $30bn (£19.7bn).

Dr Ali Lutfi, Egypt's Prime Minister, said in an exclusive interview that a delegation of senior Egyptian officials would go to Washington soon for discussions with the US, the *International Monetary Fund* and the World Bank.

Dr Lutfi said the Government was proposing an economic reform programme that would demonstrate it was sincere in its efforts to come to terms with Egypt's difficulties. These include, apart from the foreign debt, a wasteful subsidy system, under-utilisation of existing resources, a chaotic exchange rate system and a budget deficit that threatens to run out of control.

Dr Kamal al Ganzouri, a deputy prime minister, and Minister of Planning and International Co-operation, will head the Egyptian delegation to Washington.

The US provides Egypt with more than $2bn annually in civil and military aid. Egyptian officials hope the Reagan Administration will lead the way in helping Egypt overcome its immediate financial problems, which have been exacerbated by an alarming fall in its main hard currency sources of oil and tourism.

Lutfi . . . proposing reform

Egypt is likely to face a critical moment either later this year or early next year when the full impact is felt of the oil price slump. Predictions of a financing gap range between $1.5bn and $4bn, depending on the state of the oil market.

Dr Lutfi said rescheduling through the offices of the Paris Club—an informal group of industrialised countries which negotiates debt relief—is "unacceptable." He said it would be like engaging in a "striptease."

Dr Lufti said Egypt's austerity programme, details of which would be conveyed to *international organisations* and major creditors, included:

- Expenditure cuts to deal with the budget deficit.
- Reforms to the exchange rate regime which would leave three rates instead of the present four.
- Proposals for increased industrial and agricultural production.
- Measures to curb imports through the introduction of a new rationalisation scheme.
- Reforms to the subsidy system to ensure that assistance is restricted to the needy.

Dr Lufti said the import rationalisation scheme will be introduced by July 1. Other elements of the economic reform programme would follow by the end of August, with the exception of proposed changes to the subsidy system which will take more time.

Western officials in Cairo say that Egypt is far from concluding an agreement with the IMF on a standby facility. Desultory discussions have continued over the past year or so on an Egyptian request for around $1bn in balance of payments support, spread over three years.

These officials are also sceptical about Egypt's main creditors agreeing to a bilateral rescheduling, although much of the debt is in the form of official assistance.

Marcos part in Aquino trial detailed

MR FERDINAND MARCOS, the former Philippines president, instructed a judge and a panel of prosecutors to acquit soldiers accused of killing the opposition leader Mr Benigno Aquino in 1983, a prosecutor told a special commission yesterday, AP reports from Manila.

Mr Manuel Herrera also *told* the commission that Mr Marcos ordered prosecutors to charge then-armed forces chief Gen Fabian Ver and several high-ranking officers as accessories rather than as principals in the slaying of President Corazon Aquino's husband so they would be able to post bail while awaiting trial.

"It's better that they be tried now and acquitted," Mr Herrera quoted Mr Marcos, now in exile in Honolulu, as telling the group in a meeting in the president's library at the presidential palace on January 10 1985.

Mr Herrara quoted Mr Justice Manuel Pamaran as saying, "Yes, Mr President, that's the better arrangement."

Mr Herrera was testifying at the first public hearing by a three-member commission of retired judges created by the Supreme Court. Its purpose is to receive evidence *of alleged trial irregularities* so that the high court can determine whether to call a new trial.

Mr Herrera, lead prosecutor in the 10-month trial that ended in last December's acquittal of Gen Ver and the 25 other defendants, has made similar allegations in interviews with reports.

Lawyers for the family of Mr Rolando Galman, accused by the military of slaying Mr *Aquino* at the Manila airport, called the trial a sham and petitioned the Supreme Court for a new trial.

Australian unions under attack

BY EMILIA TAGAZA IN CANBERRA

THE Australian opposition leader, Mr John Howard, yesterday blamed trade unions for a great part of Australia's economic crisis and for the decline in living standards in the country.

He urged a wages pause for the rest of the year and the abandonment of the government-supported productivity pay rise in his response to Prime Minister Bob Hawke's state-of-the-nation address last Wednesday.

He said changes required to tackle the crisis are more fundamental than Mr Hawke suggested last week. "These changes must include major reforms to our industrial relations system, a markedly reduced role for the Government, much greater recognition of our export industries and substantial reduction in the power of militant trade unions which have done so much harm to our economy and have reduced our living standards," he said.

He added that the conservative coalition party's industrial policy would encourage small businesses and their employees to make their own arrangements on wages and conditions, free of interference from trade unions. He said a conservative government would throw out the anti-investment elements of the Hawke Government's tax system and would immediately relax restrictions in foreign investment to encourage more direct investment than overseas borrowings.

Mr Howard's speech was clouded by the publication yesterday of a market study which suggested his Liberal Party cannot win an election under his leadership. The study, commissioned by a group of West Australian businessmen to determine the need for a new conservative party in Australia, concluded that the electorate may see Mr Howard as intelligent but it does not take him seriously as a potential prime minister.

Indonesia's aid donors gather as economic problems worsen

BY MICHAEL BYRNE IN JAKARTA

INDONESIA'S international aid donors meet in the Hague today to decide on next year's programme of economic assistance against a background of deepening gloom for the world's fifth most populous nation.

The latest World Bank report on Indonesia shows that the country faces a seriously worsening economic plight and that drastic steps are needed to keep the country financially afloat.

The economic problems in South-east Asia's largest economy, caused by the collapse of the world oil market and compounded by deep-seated inefficiences, will dominate this week's meeting of the inter-governmental group on Indonesia (Iggi).

The World Bank recommends that Iggi maintains its aid commitment at $2.4bn (£1.6bn) and leaves no doubt that Indonesia sorely needs the funds. However, Indonesia realises that Iggi might need more convincing than usual this year.

Iggi's yearly assistance to Indonesia is designed as project aid rather than budgetary assistance, yet this year Indonesia's need is for funds to fill a deepening hole in the national budget. Iggi might hesitate, however, because Indonesia is *already behind* schedule *in its* existing project expenditure.

Questions are also being asked among Iggi member countries over whether Indonesia will be able to produce matching counterpart funds for project aid.

The Jakarta Government's 1986-87 austerity budget cut overall expenditure by 7 per cent, after a 22 per cent cut in development spending. The budget figures, however, were based on an assumed oil price of $25 a barrel.

The World Bank report says that on its own oil price and production estimates ($13.5 a barrel price and output of 1.45m barrels a day), Indonesian budgetary revenues from oil and liquefied natural gas (LNG) will fall short of the target by one-third this year. A combination of expenditure reductions and additional borrowing would be essential, the bank says.

The World Bank report this year is *unusually critical* of inefficiencies and double-thinking in Indonesian economic management, although it praises the May 6 investment liberalisation package.

Two key projections stand out in the 200-page report: Indonesia's public and private debt-service requirement for 1986 will amount to $5.2bn and is *rising*, while gross oil and LNG exports are projected to slump from $12.4bn last year *to $7.7bn this year.*

Indonesia faces an increase in debt service requirements to $6.1bn in 1988, without any prospect of the oil markets helping it meet this commitment.

The World Bank projects that Indonesia's debt-service ratio will balloon to 33.3 per cent in 1986, before gradually coming back to 32.2 per cent in 1987 and 31.5 per cent in 1988.

Indonesia is heavily dependent on oil revenue. Oil and LNG, even at last year's prices, accounted for 70 per cent of Indonesia's gross merchandise exports.

Collapse in world oil prices now confronts Indonesia with precipitous budgetary problems, the prospect of steeply rising unemployment, minimal growth rates, growing balance of payments deficits and, as the World Bank report repeatedly points out, an urgent need for efficient, new export industries.

Indonesia's economic woes have been compounded by the sharp decline in the dollar, the currency in which oil payments are made.

Its balance of payments deficit is thus likely to worsen to about $5bn, while it faces the prospect of having to curb imports sharply and bear the resultant regime of minimal growth and rising unemployment.

The World Bank argues that *the time has come for Indonesia* to implement a regime of economic efficiency and viable, export-oriented industries.

S. Africa likely to face setback on foreign debt

BY PETER MONTAGNON, EUROMARKETS CORRESPONDENT

THE RENEWED flare-up of violence in South Africa and the nationwide state of emergency imposed last week are likely to prove a setback to the country's hopes of reaching a lasting solution to its $23bn (£15.1bn) foreign debt problem, bankers said yesterday.

An interim restructuring of debt falling due up until the middle of next year is working satisfactorily, they said. But a question-mark now hangs over what happens when this agreement expires a year from now. Bankers are also due to review South Africa's debt position in the autumn.

Bankers had hoped that by agreeing to extend debt maturities until then they would give South Africa time to introduce political reforms that would set the right tone for the country to resume normal capital market borrowings. These were interrupted last August when withdrawal of short-term credit by US banks forced South Africa to suspend principal repayments on its debt to foreign banks.

The new political problems come as South Africa's trade performance has slipped behind target in the first four months of this year, though the country still appears to be generating enough foreign exchange to meet interest payments on its foreign debt.

One concern of bankers is that a possible imposition of economic sanctions might cause the country's foreign trade position to deteriorate further, leading to an interruption of interest payments.

The bankers said their main anxiety at the moment was, however, political. Though they are unwilling to define exactly what steps South Africa needs to take to restore its international creditworthiness, they said political reforms must be enough to satisfy public opinion in the west and lift pressure from lobby groups on bank creditors, particularly in the US.

Recent developments go in precisely the opposite direction, they said, adding this was not the scenario hoped for when they completed their interim restructuring arrangement last March.

Tense congregation gathers for Boesak message of condemnation

BY PATTI WALDMEIR

THE Reverend Allan Boesak, one of apartheid's most eloquent critics, yesterday preached a thunderous condemnation of the South African Government before a tense congregation gathered in a church near Cape Town to commemorate the 10th anniversary of "Soweto Day."

Much of what Dr Boesak said cannot be reported because of heavy press restrictions introduced under the state of emergency restrictions introduced under the state of emergency which make it an offence to publish "subversive statements" — a broadly-defined category which Dr Boesak said in his sermon included any form of criticism of the Government.

No reference can be made to the activities of the security forces in and around Hazendal, the coloured suburb where the service was held.

Several busloads bringing churchgoers from nearby coloured townships to attend the service never arrived. The reasons for this cannot be reported.

Although television cameras filmed Rev Boesak's entire 30-minute sermon, capturing the black power salutes which punctuated the two-hour service, few outside the 500-strong congregation are likely to be allowed to head the Reverend's bitter attack on the security clampdown.

Lawyers have advised several of the news organisations present they may be breaking the law if they publish Rev Boesak's comments. The penalty can be up to 10 years in jail or a R20,000 (£3,300) fine.

For the hundreds of coloureds and the sprinkling of whites who attended yesterday's ecumenical service, the risk was perhaps more immediate. Uppermost in their minds was the outcome of a similar commemorative service the previous day at another suburban Cape Town church, news of which had reached them on the townships grapevine—although it cannot legally be reported.

The strain showed clearly on their faces as preachers from various Christian denominations, and from the Call of Islam, a local Moslem group, delivered what they called "testimonials" to the evils of apartheid.

But it was Rev Boesak's fire and brimstone address which really captured the congregation's imagination—and its nervous chuckles—when he said: "Satan is alive, and you can see him on TV trying to explain what the state of emergency means and why it is necessary. Satan is real and from now on he will be the only one making press statements explaining what is happening."

Such a comparison will no doubt upset a Government which has recently said it is ready to stand along with "our forces and our God." Whether it is also subversive will presumably be a matter for the Minister of Law and Order.

Media discovers that adjectives can be subversive

Pretoria has tightened controls on the press. Tony Robinson reports

EARLY yesterday morning the following message chattered over the teletype of the South African Press Agency: "Please take note that the Commissioner of Police under regulation 7 (1) (C) of the emergency regulations has issued an order prohibiting the announcement, dissemination, distribution, taking or sending within or from the Republic of any comment on or news in connection with any conduct of a force or any member of a force regarding the maintenance of the safety of public or the public order or the termination of the state of emergency, except with the prior consent of himself or any person authorised thereto by him.

"Please also take note that the Commissioner of Police has issued an order in terms of regulation 7 (1) (D) of the emergency regulations prohibiting the presence of journalists for the purpose of reporting, in any black residential area or any other area in which unrest is occurring except with the prior consent of the divisional commissioner or any person authorised thereto."

It was signed "Bureau of Information," the department headed by Mr Louis Nel, the Deputy Minister of Information, which has now become the only source of official information about events in this country under the state of emergency.

A few hours before sending the orders the bureau telexed a "general note to all foreign correspondents" in which we were "earnestly requested to ensure that under no circumstances a statement which in terms of the emergency regulation is a 'subversive statement' is broadcast, transmitted or otherwise sent from South Africa."

Then, at the daily 11 am briefing by the bureau in Pretoria, Mr Nel singled out the recently-arrived Reuter bureau chief and objected to a Reuter report of Sunday which included the sentence: "This brings to 19 the death toll since Pretoria clamped a Draconian state of emergency on the riot-torn country." The Short Oxford English dictionary defines Draconian as rigorous, harsh or cruel laws, explaining that the usage dates from the time of Drakon, an Athenian legislator of the seventh century BC.

Mr Nel commented: "It might be Mr Rogers' opinion that we have a Draconian state of emergency. It is, however, the opinion of the Government and millions of blacks and whites that a state of emergency is necessary to prevent what I personally regard as a Draconian commitment to violence and revolution by radicals. I am of the opinion that it is highly unprofessional of Mr Rogers to present his personal opinion as fact. His reference to riot-torn country is also objectionable."

Under the present circumstances Mr Nel's opinion of what is permissible or not is what counts.

It is a situation about which Mr Ken Owen, editor of the Business Day newspaper, wrote in a centre-page feature article yesterday: "It takes South Africa across the line that separates authoritarian from totalitarian societies. It imposes control on thought and knowledge."

Meanwhile the Johannesburg afternoon paper, The Star, yesterday said on its front page that it had been refused permission to publish reports relating to the situation in the country from Cape Tow, Elsies River (a coloured township near Cape Town) and Kempton Park (a black township between Johannesburg and Pretoria).

At the end of the column, in bold type, it printed the following: "Because of today's even more rigorous clampdown on news reporting, readers should be aware tha this edition of The Star has in effect been censored and does not reflect adequately the situation in South Africa."

Rand up as gold and industrials fall

By Our Johannesburg Correspondent

STOCK traders in Johannesburg yesterday took the view that no news was good news. Though gold and industrial share prices fell on the Johannesburg Stock Exchange (JSE), dealers attributed the declines to fundamentals rather than to political fears.

The main irritations were with the mistakes made by six white schoolboys hired for the day to replace black JSE employees who post prices on the market floor's board.

The financial rand, an indicator of non-residents' willingness to hold South African investments, rose from its closing level of just over $0.215 on Friday to more than $0.24 yesterday afternoon. But the rise faltered as foreign holders of gold shares decided to sell into Johannesburg and came up against the local market's inability or unwillingness to take large lines of stock.

In Johannesburg the fundamentals of a lower dollar gold price and a surge in the commercial rand from $0.36 to almost $0.40 quenched demand for gold shares. Nonetheless, some investors argue that the rand's recovery is likely to be temporary and unrealistic. Currency markets were dominated yesterday by the South African Reserve Bank's intervention, while most importers and exporters had discounted the likely exchange rate effects of Soweto Day work stoppages well in advance and had effectively covered their foreign exchange positions.

Mr Barend du Plessis, Finance Minister, welcomed the rand's rise as an encouraging sign and said he had no doubt South Africa would become what he described as "a very attractive investment country."

Security causes uncertainty over NUM wage talks

By Jim Jones in Johannesburg

IT IS uncertain whether wage talks between South Africa's Chamber of Mines and the black National Union of Mineworkers (NUM) will resume as planned this morning.

Negotiations were broken off early last week when the chamber countered black employees' demands for a 45 per cent across-the-board wage increase with an offer of between 12 and 17 per cent.

By late yesterday afternoon, Mr Johan Liebenberg, the chamber's chief negotiator, was not sure if the NUM negotiating team would attend the scheduled talks. There have been rumours in Johannesburg that Mr Cyril Ramaphosa, the NUM's general secretary and chief negotiator, had gone into hiding or had been detained by security forces.

The NUM's offices were closed yesterday in commemoration of Soweto Day and a spokesman for the Bureau of Information, the only Government department authorised to comment on security matters, was unable to confirm the rumours.

Union officials' attempts to report the chamber's offer to members have been thwarted in some areas. Last week, before the state of emergency was imposed, a magistrate in the coal mining town of Witbank refused the NUM permission to hold two local report-back meetings. That effectively halted union officials' efforts to get a mandate from members for further talks.

Mining industry executives are unwilling to speculate on the effects of a detention of union leaders. However, the state of emergency specifically prohibits illegal strikes and this could include work stoppages in protest at the detention of union officials.

UN conference steps up sanctions pressure

BY PAUL BETTS IN PARIS

AFRICAN and non-aligned countries stepped up their pressure for the imposition of mandatory and comprehensive sanctions against South Africa yesterday at the opening of a five-day United Nations conference in Paris on action against Pretoria.

Mr Abdou Diouf, president of Senegal and head of the Organisation of African Unity (OAU), described the UN special meeting as "the conference of the last chance."

He said sanctions were the only way of making the South African government "see reason" before the country became a "brazier."

Mr Diouf said the purpose of the Paris conference was to define procedures for practical measures on sanctions, ways of co-ordinating these measures and a programme of aid for front-line countries, the African National Congress (ANC) and Swapo.

Nigeria was the first country to follow Mr Diouf's new call for support of frontline countries. He pledged extra aid of $50m for the next five years to frontline countries and liberation movements.

Mr Bolaji Akinyemi, the Nigerian foreign minister, also urged governments offering flags of convenience to make it illegal for oil and shipping groups under their jurisdiction to trade in oil with South Africa.

Mr Shridath Ramphal, the Commonwealth Secretary General, also called for economic presure to be applied, especially by major economic powers which are South Africa's main trading partners. He argued that the absence of sanctions "is actually right now contributing to the mayhem taking place in South Africa."

Mr Ramphal also hoped that Mrs Margaret Thatcher, the British Prime Minister, would change her mind on the question of sanctions and move with the mainstream of Commonwealth opinion before the special Commonwealth meeting next August in London.

Mr Ramphal also criticised the absence of most Western industrialised countries at the UN conference. Of these industrial countries, only France and Japan are attending as observers.

Mr Claude Malhuret, the French Secretary of State for human rights, sought to reassure African countries. He said France would "apply without respite" measures against South Africa it has adopted with its European Community partners.

African countries have been worried by recent remarks by Mr Jacques Chirac, the French right-wing Prime Minister, opposing sanctions and the recent French decision to reinstate the French ambassador in Pretoria.

Mr Laurent Fabius, the former Socialist French prime minister, attended the opening session of the UN conference.

The UN conference was opened by Mr Javier Perez de Cuellar, the UN Secretary General who also had talks with President Francois Mitterand.

Mr Perez de Cuellar also unveiled a statue at the Paris headquarters of Unesco.

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146	118	Ass. Brit. Ind. Ord. ...	131	—	7.3	5.6	8 0	7.5
151	121	Ass. Brit. Ind. CULS...	131xd	—	10.0	7.6	—	—
125	43	Airsprung Group	125	—	6.4	5.1	20.8	27 2
46	28	Armitage and Rhodes	28	—	4.3	15.4	3.5	4.2
179	108	Bardon Hill	179	—	4 0	2.2	22.7	23 6
78	42	Bray Technologies	78	+1	4.3	5.7	9 0	8.2
201	80	CCL Ordinary	80	—	2.9	3.6	5.7	8.9
152	85	CCL 11pc Conv. Pf. ...	85xd	—	15.7	18.3	—	—
166	80	Carborundum Ord.......	166	+2	9.1	5.5	8.0	8.2
94	83	Carborundum 7.5pc Pf.	88xd	—	10.7	12.2	—	—
65	46	Deborah Services	56	—	7.0	12.5	5.8	7.7
32	20	Frederick Parker Group	23	—	—	—	—	—
112	50	George Blair	110	—	—	—	4.5	8.1
68	20	Ind. Precision Castings	60	—	3 0	5 0	15 8	13.2
218	156	Isis Group	168	—	15.0	9.5	12.2	18.2
122	101	Jackson Group	118xd	—	6.1	5.2	8 0	7.2
347	228	James Burrough	347xd	+2	15.0	4.3	10.9	10.9
99	85	James Burrough 9pcPf.	99	—	12.9	13 0	—	—
95	56	John Howard and Co.	57xd	—	5.0	8.8	—	—
1420	570	Minihouse Holding NV	1340	—50	8.7	0.6	44.3	52 5
380	260	Record Ridgway Ord...	380	—	—	—	6.8	11.7
100	89	Record Ridgway 10pcPf	89xd	—	14.1	15.8	—	—
82	32	Robert Jenkins	70	—	—	—	9.1	20.0
34	28	Scruttons "A"	30	—	—	—	—	7.7
87	66	Torday and Carlisle ...	78xd	—	5.7	7.5	4.6	4.7
370	320	Trevian Holdings	320	—	7.9	2 5	6.7	8.8
57	25	Unilock Holdings	56s	—	2 1	3 8	15.2	14.9
175	93	Walter Alexander	169	—	8.6	5.1	9.5	11.7
226	190	W. S. Yeates	190	—	17.4	9.2	19 0	21.1

s=Suspended

WORLD TRADE NEWS

Walter Ellis on a plan to increase Japanese imports

Toshiba offer to Europeans meets limited response

YOU CAN'T beat us—join us. This is the message of Toshiba, one of Japan's biggest electronics groups, which has invited European companies to submit their most innovative components for possible inclusion in Toshiba products.

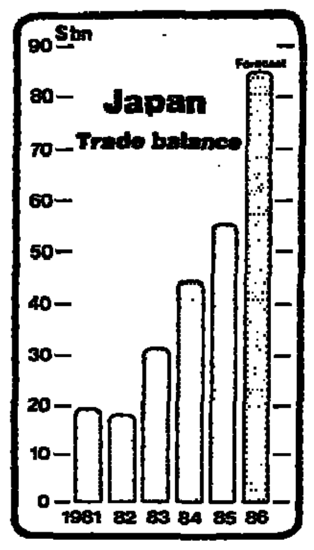
Toshiba's approach follows the pledge last year by Mr Yasuhiro Nakasone, the Japanese Prime Minister, to look for opportunities to increase imports of foreign goods into Japan so as to redress the country's foreign trade imbalance.

Japanese companies operating overseas are increasingly obliged to use locally made components, with Nissan Cars in Britain a good example. The application of the principle to products made in Japan itself is looked on as a logical extension, with real potential for Europeans willing to make the effort.

The response of British industry to the offer so far has been guarded. "We have had expressions of interest from suppliers of paint equipment and manufacturers of television components," says Mr Peter Leeds, general manager of Toshiba International, charged with carrying the project through.

"But we are still looking for something with reasonable volume that could be supplied on a continuing basis. What we want are companies to which we could award contracts for three years at least."

Mr Leeds concedes that British and other European suppliers are often defeatist about Japan. "They feel they have had the door slammed in their face often enough and are afraid to fail again. They have sought easier markets."



Toshiba, which has 25 factories in Japan, spends just £15m a year with suppliers in Europe at present. No budget has been disclosed for future purchases, but the understanding is that the scope for growth is considerable.

Mr Leeds warns that his company is not in the business of hand-outs. "We are looking only for products that are distinctive and competitive. They must also conform with Japanese regulations."

He quotes a company report on European industry which speaks of unreliability, delivery delays, poor paperwork and follow-through, low levels of quality with little apparent effort to improve, high prices and insufficient after-sales care.

The goods which Toshiba is looking for must not have any of the above failings. That aside, they can be almost anything that is useful; machine tools, electronic and engineering components, measuring instruments, pumps, valves, moulded plastic parts, welded steel structures, semi-conductor processing equipment.

As an earnest of its good intent, Toshiba is also inviting European suppliers of "chic" consumer goods (Burberry raincoats being a famous example of the breed) to market their ware directly through Toshiba company stores.

British hi-fi systems may not rule the high streets of Japan but British marmalade, the argument goes, is without peer. With 100,000 high-spending employees throughout Japan, the company believes that this is no small opportunity for the right kind of supplier.

Mr Leeds acknowledges that the present campaign may not achieve the degree of change the company wants. He does insist, however, that the offer is genuine and part of a long-term strategy.

Companies interested in discussing possible contracts will be invited to visit Toshiba in Tokyo in the autumn (at their own expense), where their wares will come under scrutiny.

The UK Department of Trade and Industry (DTI) sees the Toshiba offer as part of the overall Japanese action programme, sponsored by the Government to encourage changes in attitude towards imports. The Toshiba programme, according to DTI officials, is different in that it has been so openly presented, designed, perhaps, to test the waters. The opportunities for those companies who can convince Toshiba of the quality of their products could be considerable.

Rising yen may add ironic twist to US deals

By Carla Rapoport in Tokyo

AN IRONIC twist in US-Japan trade relations may emerge in the next year or so as Japanese companies find it is cheaper to import goods they make in the US than make them in Japan.

Mitsubishi Motors, which has a 50/50 joint venture with Chrysler to produce cars in the US, has confirmed that if the dollar stays at around Y160 to Y170, it may start to import cars from the joint-venture's Illinois plant.

The US plant, on which work started this April, will begin producing about 240,000 cars a year in 1988.

"It could well have merits," said a Mitsubishi official yesterday. "We will have to examine the costs," he said. The initial number of units, however, would probably be small, little more than 5 per cent of total production.

Imported cars are slowly starting to catch on in Japan. Austin Rover, for example, has just taken on the distributorship for the Peugeot 205 in Japan and has high hopes for the car's popularity. Imported cars account for tiny fraction of the huge Japanese car market. But sales of European cars, such as BMW and Volkswagen, for example, have been showing double-digit growth in recent years. Mitsubishi hopes that its new American-made car may be able to combine the cachet of an import with a reasonable price.

The Mitsubishi-Chrysler joint venture, called Diamond-Star Motors, will initially produce a sporty 2-door hatchback with 1.6- and 2-litre engines. This particular market is one of the fastest growing segments in an otherwise stagnant car market in Japan.

Fibre optic link planned in Far East

By Our Tokyo Staff

FIVE international telecommunications groups are combining to lay a $200m optical fibre cable between Japan, Hong Kong and South Korea.

The five, led by KDD of Japan, include Cable and Wireless (Hong Kong), American Telephone and Telegraph, Korea Telecommunication Authority and Telecommunication Authority of Singapore.

KDD, which will put up 33 per cent of the investment, said the new cable was expected to be completed by the end of 1990 and that it would be part of the larger optical fibre cable network in Asia.

Current communications links between Tokyo and Hong Kong are expected to reach capacity by the end of this decade.

In addition to increasing the communications between Japan, Hong Kong and South Korea, the new cable will be connected with the third transpacific cable for use in communications with other countries in East Asia and North America.

The new links, which will accommodate telephone, telex, telegram and facsimile services, will connect Japan and Hong Kong and Japan and South Korea with 4,500 km of cable.

KDD has the largest stake in the operation, with C and W Hong Kong putting up another 32 per cent of the total costs. Korea will provide another 18 per cent, AT and T 10 per cent and Singapore 3 per cent.

Singapore to act on high-tech trade

BY CHRIS SHERWELL IN SINGAPORE

SINGAPORE has unilaterally introduced new import and export controls aimed at preventing the diversion of sensitive high-technology goods to Soviet-bloc countries.

The controls, published without warning in the government gazette, are clearly aimed at allaying increasing US and British pressure for tighter reins on the movement of militarily sensitive goods through Singapore.

Washington and London each regard Singapore as one of more than a dozen countries of concern to them because the island state has a high-technology manufacturing sector and is a free-trade centre operating one of the world's busiest ports.

A large team of US officials held talks with the Singapore Government last August in the hope of reaching a memorandum of understanding on the issue.

No agreement was forthcoming, and the subject is now expected to come up again when Mr George Shultz, the US Secretary of State, visits the country next week.

The main feature of Singapore's new regulations, published last Friday, is that they tighten control over the final destination of listed sensitive goods. The list is compiled by CoCom, the Paris-based Co-ordinating Committee of Multinational Export Controls, which groups Nato members and Japan.

Britain's view is that effective control is only possible in Singapore through a tightening of procedures—over certificates of origin, end-user certificates, inspections, spot checks and so on—and the significance of Singapore's move appears to be that it has shifted in this direction by demanding to know end-users' identities.

Certainly Singapore has spurned the US in its search for a pact. It is hoping that adjustments of its import and export controls, by having a wider application than a bilateral accord with the US, will in turn win Washington's support.

Complications nevertheless remain. Issues outstanding between the US and Singapore include continued trade priveleges for Singapore under the Generalised System of Preferences, Singapore copyright legislation to protect intellectual property and US legislation coming up for renewal which controls the import into the US of works covered by US copyright but produced offshore.

Scandinavians to market Japan pipeline

By Fay Gjester in Oslo

A NORWEGIAN and a Danish telecommunications company, are to jointly market a Japanese-patented flexible underwater pipeline in Europe and West Africa, with exclusive marketing rights in Norway and Denmark.

Standard Telefon og Kabelfabrik (STK) of Norway and NKT of Denmark have formed a joint venture to handle the business. If sales come up to expectations the lines will be made in Scandinavia, under licence from Furukawa Electrics of Japan.

Such production could start within the next three years, possibly at an STK plant in Halden, East Norway, which now makes subsea electric cables.

The flexible pipelines are designed to take water, oil or gas.

They have been in use for some time in Brazilian waters and in the UK sector of the North Sea. This year, for the first time, they are also being used in the Norwegian sector.

STK said sales of the new type of line could be worth "anything from NKr 50m per year upwards," depending on oil price trends and offshore development decisions.

GKN unit in US link

BY NICK GARNETT

A SUBSIDIARY of Guest Keen and Nettlefolds of the UK, the third largest supplier in Europe of friction materials for commercial vehicles, has signed a ten-year agreement with Thermoset of the US under which the two companies will supply each other's products.

The GKN offshoot, Sheepbridge Sintered Products, which is strong in metal and graphitic friction material for heavy-duty clutches and brakes, will supply Thermoset of Milwaukee with its range of products for sale in the US.

Sheepbridge will then market Thermoset's range which is principally based on non-asbestos paper friction materials.

Sheepbridge had sales of £7m last year. More than a third of its output is exported, much of which goes into the £30m European market.

GKN said yesterday that paper friction materials were not available from local sources in Europe. Thermoset was formed only 12 years ago and though smaller than Sheepbridge supplies many of the major US heavy duty clutch and brake manufacturers.

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Yugoslavia

The new government of Branko Mikulic is searching almost wildly for a solution to problems of rising prices and may yet give freer rein to private enterprise

Inflation tops agenda

By David Buchan

NEW governments generate new expectations. This is the case even in Yugoslavia, where governments only change every four years to let each of the country's eight republics and provinces get a turn at having their people at the federal helm, and to give respite to federal politicians exhausted by four years of consensus politicking.

So the advent of Mr Branko Mikulic who took over the premiership from Mrs Milka Planinc in mid-May, brings hopes and fears. A general synopsis would be that Mr Mikulic will use the organisational skills he showed in a successful winter Olympics two years ago in his native Bosnia to instil better order in the federal machine and legislation. Also, as a former member of the collective state presidency, he will have more of that body's questionable authority as backing for his government. And he will bring new ideas to fighting inflation—the country's foremost economic ill—but at the same time he will not entertain radical political reforms, whether in national decision-making or in individual freedom of expression.

His inaugural speech to the parliament partly bore out this view: he endorsed the need for economic reform, but not political change. Whether the latter is in the wind will become evident only later this month when the League of Communists holds its four-yearly congress. This constrains him in his first 100 days of power, important to any leader even in a collective communist system.

The economy remains as for the whole of Mrs Planinc's four year tenure, the Government's overwhelming preoccupation. Moves towards higher growth, harking nostalgically back to Yugoslavia's boom years of the 1970s, which were fuelled by carefree borrowing abroad, began in 1984, but they petered out under the double impact of last year's cold winter (affecting industry) and dry summer (hitting agriculture).

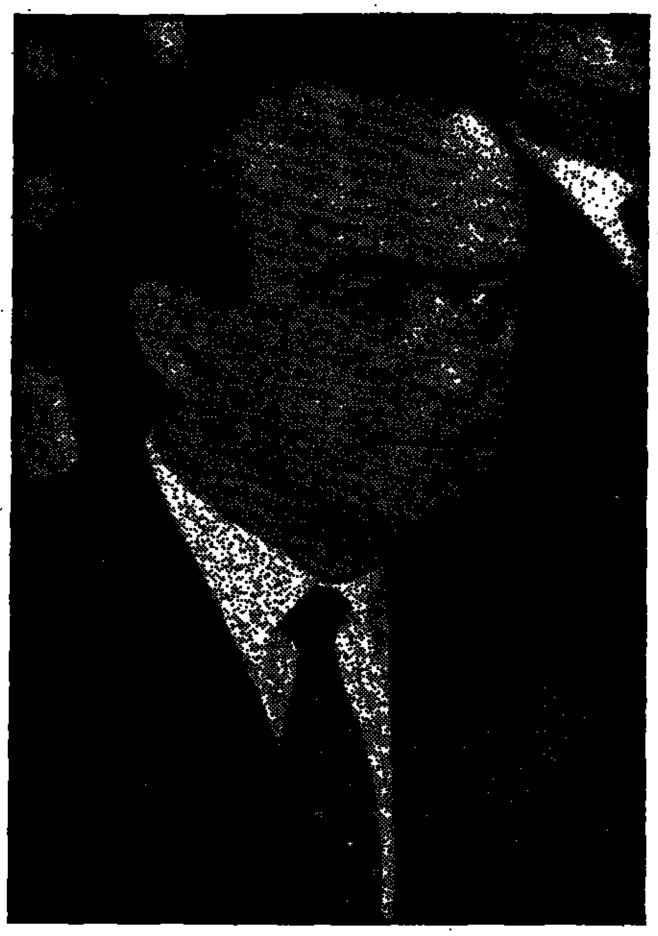
What growth there was last year was reflected in wages, rising in real terms for the first time in several years, and domestic consumption more than in industrial output and exports. This year started better in trade and output terms compared to the sorry spring of 1985, but by the time Mr Mikulic took office, exports and industrial production began to lose steam.

Companies again preferred the easier path of meeting higher domestic demand and prices rather than pick through the tangle of new laws governing foreign exchange and import allocation.

Yugoslavia complained loudly about the temporary EEC ban on its food shipments after the Chernobyl disaster and its indirect damage to tourism. But this has been more than offset by the wholesome effect of other trends on external finances. Cheaper oil, the general decline in world interest rates and the fall of the dollar against other hard currencies are a welcome inauguration present to the Mikulic government. They have stemmed the growth in hard currency debt, which at end-1985 stood at US$18.4bn.

The repayment schedule of that debt now looks clearer, with Western governments and banks having agreed in principle to reschedule debts to the end of 1988. Commercial banks led the way by rescheduling $3.6bn in principle due in 1985-88, with the proviso that rescheduling in the final two years would depend on how the International Monetary Fund then judged Yugoslav economic performance.

The IMF agreed to start "enhanced monitoring" last month when, on the day the Mikulic government took over, its supervision of the economy under standby arrangements ended.



Branko Mikulic endorsed economic reform but not political change

Agreement with western government creditors was stickier. They tried to get a stricter interpretation of "enhanced monitoring" but the IMF baulked, thankful to be rid of formal supervision of an economy with a healthier external position which no longer warranted direct assistance. It wanted no "back-door" standby arrangement with conditions it would not have the direct leverage to enforce.

In the end, official creditors agreed to reschedule $1.6bn debt principal maturities to end-1988, but fixed precise terms only until May 1987.

Clearly, official creditors do not have the long-term trust in Yugoslav economic management that the multi-year rescheduling might suggest. For the Mikulic government, the important thing is that it probably faces a smoother passage on external debt than its predecessor. This is just as well, because tackling domestic inflation promises to be tougher than ever.

It would probably not take too long for inflation, if it continues at the present rate of more than 80 per cent a year, to tear apart a fragile political and economic system like Yugoslavia's. The Yugoslavs could do to themselves, economically what they are perennially afraid outsiders will do to them militarily.

If that seems like hyperbole, consider what high inflation does to a country where the richest region (Slovenia) has six times the average income of the poorest (Kosovo). Not only are Slovenes with tiny, virtually full employment far better able to withstand *existing* inflation than Kosovars, where the unemployment rate is in excess of 30 per cent, but they can create *new* inflation to suit themselves.

Last year the steepest growth in prices was in Slovenia, where relatively efficient companies had enough of a market hold in certain sectors to dictate prices to the rest of the country. Thus the rich are the price-makers, the poor the price-takers.

Inflation encourages further distortions. With the constitutional power to set taxes, certain republics have been raising tax rates on goods they consume but do not produce—and vice versa—to protect local employment and maintain public revenue in an inflationary environment. Even if inflation fell sharply, it might take years to iron out the distortions.

Not surprisingly, inflation tops the new government's agenda: it is looking around, almost wildly, for cures. Mr Mikulic has ruled out the "quick fixes" tried in the first half of the 1980s and opposed by the IMF. A complete freeze of prices and personal incomes, or their simple indexation, are not the way out, he says. But he adds: "We saw that the model of relying on a real exchange rate, real interest rates and free price formation—insisted upon [by the IMF] during recent years—cannot alone help."

He is ready to let market forces reign where proper competition exists; indeed he would like to roll back price controls from the 58 per cent of producer prices currently covered to about 40 per cent. But where monopolies push up prices, "all forms of social price control shall be applied," he warns.

Others in his government, notably Mr Svetozar Rikanovic, the new finance minister, and Mr Oskar Kovacs, a Belgrade economist turned government minister, are pondering other ideas.

One far advanced proposal is to tackle the sacred "self-management" cow of worker sovereignty, with a wages law making it harder for workers to vote themselves pay rises without regard to profit and productivity.

Another idea is an excess profits tax to deter price-hiking monopolists. The problem, says Mr Rikanovic, is to determine where competition does or does not exist.

The most radical idea doing the governmental rounds in Belgrade is to achieve the concept of real interest rates (matching inflation) by charging only 1 to 2 per cent on a loan, but to revalue the principal of loans each year by the rate of inflation in that year. The aim is to spread the pain of repayment throughout the life of a loan, and so make the bitter pill of real interest rates more palatable.

But the potential side-effects—in the short term increasing debtor liquidity at creditors' expense and in the longer term creating awesome nominal sums to be repaid—will probably doom the idea. Claims that such credit "revaluation" was tried in Germany in the 1930s do not build confidence in it.

Underlying this fraught wrangle over what to do about inflation, are those "constants" of the Yugoslav political debate: how to forge a single market, how to break down local protectionism, how can 22 nationalities in eight political regions reach decisions better, and must it always be by consensus or could minorities accept majority decisions? Only the workings of the 12-country EEC provides a parallel to this debate.

Since Tito died in 1980, Yugoslavia's nationalities have seemed to find it no easier to pull together. A recent nationwide opinion poll in the Belgrade weekly Nin showed that the proportion of Yugoslavs who thought the relations between their various nationalities were satisfactory had declined from 83 per cent in 1964 to 62 per cent in 1985.

This helps explain why Yugoslavia, one of the most liberal countries in such areas as freedom of travel, still has some 400 to 500 political trials a year. Most of those feature charges of nationalist agitation, particularly in Kosovo, Bosna and Croatia.

Last year 70 per cent of the charges were for "verbal crimes," which would hardly be more significant than a parking offence in a less sensitised society. As it is, however, the Yugoslav authorities are unlikely to let their guard down on this score.

One issue which the party congress may tackle this month is private enterprise. Mr Mikulic raised this issue when last month he called for more incentives to encourage small businesses. He said these had done much to create jobs in such successful economies as the US. Ironically, it is the federal politicians who encourage private enterprise. But it is the local politicians who set the limits ranging between 10 and 20 hectares for a private farm and five to 10 employees for a private business, and who are the most reluctant to expand them for fear of competition.

Perhaps the party congress will pass the mesage down to the grass roots that more private enterprise can do no harm—and probably some good—to Yugoslavia in its present plight.

Yugoslavia 2

Foreign Policy

Bread-and-butter issues dominate

YUGOSLAV diplomacy, these days, is focused essentially on keeping the country's head above water economically. This entails supplying Moscow with not one suit of clothes or machine more than absolutely necessary to obtain vital Soviet raw materials to keep Yugoslav industry ticking over, winning maximum debt relief from Western creditors, breaking down protectionist barriers to Western markets to redress business lost in the once lush Middle East markets, and seeking a toehold in the newly-launched hi-tech programmes of both East and West.

These bread-and-butter considerations have taken at least temporary priority over Yugoslavia's longstanding diplomatic concerns about the state of the non-aligned movement in the world, about a better trade and credit deal for developing countries in general, and about the East-West arms race. Such classic Yugoslav themes in fact occupied a mere one-tenth of the inaugural speech of Prime Minister Branko Mikulic last month.

It therefore came as a considerable diplomatic shock to the Yugoslavs when the EEC imposed a temporary ban on fresh food imports from Yugoslavia and five Comecon countries in the wake of the Chernobyl nuclear disaster. The ban hurt Yugoslavs in both their pocketbook and their pride, perhaps more in the latter.

Like other East Europeans, the Yugoslaves complained vociferously to Brussels, but perhaps with more justice. Unlike the Comecon countries, Yugoslavia has an extensive trade and co-operation agreement with the EEC, requiring consultations before, not after, such trade measures were imposed.

Unlike most Comecon countries, Yugoslavia was quick to supply its trading partners with information on the radiation fall-out levels on its soil.

It is still unclear what the economic damage of the EEC ban has been. Yugoslav exports to the EEC in categories covered by the ban normally run at about $50-60m a month, hardly enormous in the context of total exports to the EEC of more than $2.5bn a year.

The impact will also have been spread around the country: Croatia (meat and livestock), Montenegro and Bosnia (sheep and goats), and the Adriatic coastal belt and Macedonia (early vegetables). However, many Yugoslavs were equally irritated at being lumped in with the Comecon countries by Brussels. They are very sensitive—most foreigners would say inordinately sensitive—at being considered East European.

All this has somewhat soured the atmosphere for the negotiations for a new EEC-Yugoslav agreement. The old agreement ran out in mid-1985.

An initial proposal by the EEC (which offered little improvement on the old agreement) was turned down by the Yugoslavs in February 1986. The EEC Commission has since drafted another negotiating mandate for the Community, but this has yet to win Council of Ministers (governments) approval.

The EEC is likely to offer a modest expansion on the 70 per cent of Yugoslav industrial goods that at present enter the Community freely. But the cost to the EEC of further liberalisation is growing sharply as it starts to affect sensitive products in the Community.

Yugoslavia is pushing for a big formal increase in its quotas, despite being told by Brussels that it would do better under the present flexible system whereby Yugoslavs are sometimes allowed to overfulfil their quotas provided this arouses no domestic EEC complaints. The EEC is offering about a 100m ECU increase, to 360m ECU in loans from the European Investment Bank

However, Western governments did go some way to meeting the Yugoslav desire for long-term debt relief. They have agreed in principle to reschedule the country's official debts up to the end of 1988. True, no precise terms have yet been agreed on debt falling due after May 1987, and the International Monetary Fund has been asked by creditors to keep a close eye on Yugoslav performance. But it was enough to satisfy the Yugoslavs. It also marked a turnround in the attitude of governments like the US (not best pleased with Belgrade after it let slip through its hands Mr Mohammed Abu Abbas, after his part in the Palestinian hijacking of the Achille Lauro ship last October), which had hitherto resisted multi-year debt rescheduling for debtor countries.

But, of perhaps more long-term significance was the decision by the dozen or so West European countries involved in the Eureka scientific technical research programme that they had enough governments participating, and that individual Yugoslav companies could take part but not the Belgrade government as such.

Yugoslavia believes it has some 20 to 30 companies, led by such enterprises as the Slovene electronics company of Iskra, which could contribute to Eureka, but feels they will get less out of it if they are just subcontractors to West European companies.

Yugoslavia is also interested in taking some part in the Comecon hi-tech agreement reached among Soviet bloc countries in December 1985, and is holding discussions to this end with Comecon. Ideally, the Yugoslavs would like a finger in the technological pies of East and West, but, says one senior diplomat aware of the Western sensitivity about Yugoslavia being a conduit of Western technology to the East, "not as a bridge between them."

The one powerful domestic engine driving forward technology is the 5.2 per cent of national income currently being spent on defence. This, Mr Mikulic has stressed, should be seen "as an important investment in scientific and technological development, engaging a considerable part of Yugoslav industry."

The fact that defence is the one sector where public spending has risen recently seems to have more to do with hopes for exports and civil spin-offs from the Yugoslav arms industry than any perception of an increased threat.

Certainly, relations with the Soviet Union are described as very good. Closer to home there are tensions, but scarcely new ones. Albania remain the most difficult neighbour which, *Belgrade claims,* is still fomenting trouble in the ethnically Albanian Yugoslav province of Kosovo.

The newly-built rail line linking Albania into the European network via Titograd has so far proved less of a bond than a bone of contention, because the Montenegrin railway company is demanding new engines (from Belgrade) before operating the new line. Greek and Bulgarian refusal to admit that their Macedonians or Yugoslavia's Macedonians are a separate nationality continues to nettle Yugoslavs.

Two problems have arisen with the two neighbours, with which Yugoslavia traditionally has had excellent relations — Romania and Austria. Allegations of mistreatment of Serbo-Croat minorities in Romania have caused anxiety in Serbia at least.

The potential problem with Austria is simply that of its new president, Kurt Waldheim, whose Wehramacht career in the Balkans has stirred so much controversy.

The Yugoslav government has been equivocal on the whole matter. But the recent death sentence passed on the former war-time Croatian Interior Minister—for crimes of which no one remotely suspects Mr Waldheim — has nonetheless stirred old sensitivities. Official visits by the new Austrian president could prove difficult.

David Buchan & Alexsander Lebl

Regions

Divisions along different lines

YUGOSLAVIA IS composed of six constituent republics and two autonomous provinces, which are constituent parts of both the federation and the Republic of Serbia. Yet there are other patterns dividing the country, along geographical and economic lines, cutting across political boundaries. In that sense, Yugoslavia has three distinct regions.

The first is its coastal belt, the second is the plains, and the third, which could be subdivided into two, are its hills and mountains. By area, the largest is the third, with over 60 per cent of the total, followed by the plains with some 35 per cent, and the coastal belt with five per cent of the total.

Those regions have characteristics and also problems of their own. Thus uniform measures applying to all of Yugoslavia are difficult to design and different solutions have to be sought.

The plains are mostly in the north, in the province of Vojvodina and in Eastern Croatia where in not too distant a past measured by geological criteria there stretched the Pannonian Sea. That is the breadbasket of the country, and in addition the main site of oil and gas discoveries.

In addition, there are plains along the bigger rivers of Serbia and Bosnia, as well as in Macedonia. Although accounting for only one third of the area, the plains contribute some 60 per cent of the value of agricultural production. That is small wonder taking into account that in the Pannonian basin, most soil is of excellent, Chernozem quality, with some 4 per cent humus.

Yields are some 10 tonnes per hectare of maize, 6-7 tonnes of wheat, up to 40 tonnes of sugar beet.

Very little land has been irrigated although conditions are very good, with rivers like Danube, Sava, Tisa and others flowing through the plains.

Canals have been built at high cost but they mainly solved the problem of drainage, while some 2 per cent to 3 per cent of land has been irrigated. Plans have been drafted for that to be increased to 10 per cent in the 1986-1990 period, but that appears unlikely to be achieved.

Farmers are not particularly motivated to increase output and yields, as prices of their products, although relatively high compared with world prices, are lagging behind the prices of inputs, including water.

The maximum private farmers may own is 10 hectares, which is too small for rational and economical production. Moreover, farms comprise several small plots and existing inheritance laws, which the new Government intends changing, contribute to this problem.

Dr Franc Pajenk, assistant federal minister of agriculture, admits that no methods have been found to transfer technology to the private sector of agriculture and that reflects in lower yields.

Parts of the plans have been lagging behind in industrial development but on the whole industry is well established. One exception has been Voivodina, which before the war had a relatively developed industrial sector. With the threat of Soviet invasion, however, in the late 1940s and early 1950s, a large part of its industry was transferred to the central parts of the country.

The hills and mountains have their peculiar problems causing concern, because of the strategic importance of that region. Large parts of it especially along the borders with Bulgaria, Greece and Albania, but also with Italy and Austria had been losing population, young people moving to industrial centres were they could find jobs and enjoy much higher living standards. Hills and mountain regions contribute some 20 per cent of the value of agricultural output.

Special measures had to be taken to stop migration, including increased prices for sheep and potatoes, rye, oats, cattle and dairy products.

Others include road construction, credits for young couples, part-financing the construction of mini-farms (also helped by the World Bank), encouraging small scale industry, handicrafts in villages, building small hydro-power plants and various facilities of social standard.

Efforts have been made to develop cottage tourism, winter sports, health tourism and the like.

The coastal belt, the smallest by area, makes the relatively biggest contribution of some 20 per cent to the value of Yugoslav agricultural production. It specialises in wine, olives, citrus fruit, and early vegetables, which fetch high prices. Thus farmers are well off.

In large parts of the coastal belt—divided between Slovenia, Croatia and Montenegro, with Bosnia and Herzegovina having a tiny outlet as well — water has been a problem. Irrigation could help to increase yields.

Fishing has been a traditional industry in the coastal belt. Resources have been depleted mainly by Italians, while Yugoslav fishermen lack modern vessels and technique.

The Littoral region has been the main tourist region of Yugoslavia and will remain that in spite of the efforts to develop tourism in the hinterland as well. Part of it, like Rijeka, Zadar, Sibenik, Split and other towns, is industrially developed, with the shipbuilding industry playing a significant role. Diversification however is being encouraged. Shipping is also important but neglected. There are inadequate resources to expand and modernise, and thus to earn more foreign exchange.

Adriatic ports, from Koper in the north to Bar in the south are faced with similar problems of expansion and modernisation, which would enable them to attract more transit goods from countries like Czechoslovakia, Hungary and Austria. Their road and railroad links with the hinterland have to be improved.

Plans have been made by most ports to build free zones, possibly with foreign investment.

Alexsander Lebl

Industry

Slow shift to higher technology

RESTRUCTURING has been underway in Yugoslav industry for quite some time in order to shift from less to more technologically advanced production and to change the mix of products offered to the domestic and especially world markets. That process however has been too slow, mainly due to shortages of investment funds, but also inadequate R & D efforts, lack of nationwide co-ordination and co-operation, and many other internal and external reasons.

In spite of that, restructuring has produced some results. There have been shifts in the relative weight of various industries and also within individual industrial branches. Some programmes have been dropped in favour of other new products being introduced, and quality improved.

That can be illustrated with changes taking place in the metal sector, which comprises five branches, known as branches 113 to 117. That sector accounts for a third of the aggregate Yugoslav industrial output and for some 40 per cent of the country's exports.

In 1985, exports were worth some $4bn, of which more than a half were hard currency exports. The sector's total exports were double its imports, and hard currency exports exceeded imports by 30 per cent.

Within the sector, comprising manufacture of fabricated metal products (113) manufacture of machinery (114), manufacture of transport equipment (115), shipbuilding (116) and manufacture of electrical machinery and apparatus (117), there have been visible shifts over the years in favour of electronics, automation and more recently robotics. But at the same time important changes have been made in each industry.

Branch 113 has laid emphasis on supplying a larger number and better quality of its products, which are mainly built into other industries' goods. It has succeeded to some extent in improving its structure but the results are not completely satisfactory. New efforts have to be made in order to meet growing requirements of Yugoslav manufacturers, like the "Crvena Zastava" automotive industry, which for its export programmes, such as the Yugo car exported to the US, UK and other countries, needs bearings produced in adequate quantities and range.

Branch 114 has been switching from the manufacture of relatively simple lathes, to manufacturing NC and CNC machine tools, or flexible systems, and is embarking upon robotics. Even its traditional products, like farm machinery equipment for the food and other light industries, have been undergoing significant changes in design and efficiency.

In the production of power generating equipment new products have been mastered, such as generators of up to 300 Mw and turbines up to 500 Mw for thermopower plants. The same is true for the manufacturing of processing equipment for chemical and other industries. Branch 114 is increasingly capable of manufacturing sophisticated equipment and whole factories, either alone or in co-operation with foreign firms.

Branch 115 has developed new models of passenger cars and commercial vehicles, as well as rolling stock, including things like thyristor engines. Tractor manufacturer IMT of Belgrade intends to launch an export programme similar to that of Yugo cars. It hopes to export to the US and other countries tractors of its own design at competitive prices.

Shipbuilding, or branch 116, has been faring well taking into consideration the world situation. It has enough orders to weather the crisis, from the Soviet Union and some developed and developing countries but not from Yugoslav shippers, due to their financial problems, and to government policy, which provides credits for export of ships, but not for sales to Yugoslav lines, which also have to pay more for the same type of ship than foreign buyers.

If the metal sector is Yugoslav exporter number 1, branch 117 is exporter No. 1 in the metal sector. One of its main exports, household appliances, has been selling in more and more countries. Its most propulsive parts are automation, telecommunications and component manufacturing. Branch 117 exports lower technologies to the West, while higher technologies are exported to the LDCs and socialist countries. It has mastered complex technologies, often in co-operation with world firms, and is now capable of executing big projects, such as complete automation of transport.

That, however, has increased its difficulties in exporting. In the developed countries there have been more protectionist measures, and in the LDCs stronger competition from the developed countries, which can finance exports in amounts and at terms Yugoslav firms and their banks cannot match. That has produced a positive side effect; integration processes between Yugoslav firms have been initiated, and hopefully will have the desired outcome.

As a final word it could be said that the metal sector is best suited for joint ventures, long-term co-operation and transfer of technology agreements with foreign firms, especially since legislation in those fields has been changed.

Alexander Lebl

There has been a shift towards electronics production (above), often for export, but Yugo car foreign sales have been limited by lack of incentives

Joint Ventures

Rising activity follows lull

THE NEW government of Mr Branko Mikulic is expected to propose some changes in the laws governing joint ventures and long-term co-operation.

Such changes had been considered by the outgoing cabinet of Mrs Milka Planinc, but nothing has been done to present them to the Parliament in the form of Bills.

The Joint Venture Act was promulgated at the end of 1984 and has had some positive effects though falling short of the Government's expectations. The number of joint venture deals has started to increase after a lull of several years.

Last year there were 98 contracts. Of these 51 were new while 37 existing contracts were amended. Most of them, however, were in sectors considered less important for the national economy, such as casinos, and none were in high technology. Foreign equity was small, ranging from $500,000 to $10m. Foreign investors did not take the opportunity under the new legislation to acquire majority shares but were generally satisfied with only 10 to 20 per cent.

The largest foreign investment, about $10m, was that of an Austrian company for building an hotel in Zagreb. There was also a UK investment in an hotel at Pula.

Foreign observers agree that the new legislation has brought some improvements such as lifting the limit on foreign equity, giving foreign partners an equal say in the running of a business whatever their equity share, removing obstacles to the repatriation of capital and profits.

But there have been also some objections. It seems that one provision—that the amount of loan or credit that Yugoslav and foreign partners in a joint venture may obtain for financing it must not exceed the amount invested by them—will be removed.

In fact, there has been no such limit for joint ventures between Yugoslav partners. Provisions governing the valuation of foreign investment will be clarified. It is unlikely, however, that there will be changes in provisions concerning the parity representation of joint-venture partners on the board of directors.

Changes will also be made in other legislation; for example, in the law on the transfer of technology. Of particular interest to foreign partners of Yugoslav companies will be the likely removal from the law of provisions which state what the contract must provide for, as well as others saying that the contract will not be approved if it contains restrictions on the Yugoslav partner or imposes inequitable or unfavourable terms.

It will be left to the Yugoslav company to decide whether a particular contract is good or bad for it instead of that being dictated by the Belgrade Government.

These and other changes are intended to attract more foreign capital and technology, although it is clear both to business and the Government that the main obstacle is not legislation but the state of the economy, high inflation and barriers to free flows of goods and capital.

When conditions improve prospects will also improve for joint ventures. Legislation plays an important part but it is not omnipotent.

Alexander Lebl

Yugo US exports starved of backing

THE motor manufacturer Crvena Zastava wished to export 100,000 of its Yugo cars to the US this year. But although it could both make and sell them it will in fact export only 83,000 cars because it has not been motivated to export more, the president of Crvena Zastava, Dr Radoljub Micic, said in April.

He added that support measures for exporters had been lacking, while the state had failed to pay some $2bn to the Zastava concern for tax refunds and other incentives in 1985.

By the end of May the situation had not improved enough to increase manufacturers' motivation to export. Although the dinar was depreciating more rapidly it was not rapid enough to catch up with the pace of inflation. Especially hard-hit have been exporters who invoice their products in US dollars.

Zastava has ambitious plans. It hopes to sell some $1.5bn worth of cars and spare parts to the US alone (200,000 Yugo cars and 90,000 of its new models the Zastava 103 and Zastava 104) by the end of the decade. It intends to expand its production and other facilities, investing some $500m in local and foreign currency.

But missed opportunities could cost it dear, for European and Asian competitors are eager to win bigger shares of the US small-car market.

Alexander Lebl

Trade

Running out of steam

THE Yugoslav authorities are in the dark as to what the country's foreign trade really amounts to. For, their figures are at discrepancy with those produced by trading partners.

In the first four months of 1986, the official statistics reported exports worth $3.06bn, imports worth $3.85bn, and trade deficit of $794.3m. That, however, assumed an artificial exchange rate of 264.53 dinars for a US dollar (the rate at end-April was some 350 dinars for a dollar) which the federal government has set for statistical purposes for the whole of 1986, and constant currency cross rates.

More realistic data based on current exchange rates, something to which the statisticians may switch at some late date, show exports worth $3.2bn, imports of $4.12bn, and deficit in merchandise trade of $874.6m. Knowing exact facts is not so unimportant in a country whose top priority has been and is going to be in the foreseeable future increasing its exports in order to earn money for imports and for the repayment of its $19.8bn external debt (figure at end-1985) out of which $18.4bn is in hard currency.

But the official statistics — those calculated at constant exchange rates — are the only ones available at the moment, and they show that exports, as well as imports, are losing steam. Exports in January-April were only slightly above the same period of 1985, and in April were 16 per cent lower than a year earlier.

The major factor has been increased domestic demand coupled with lack of motivation to export. Various forms of domestic consumption are going up, abreast with or above the 85 per cent inflation rate. Federal and other budgets lead in that. Personal consumption has also been increasing, as wages and salaries, which for five years had been falling in real terms, started rising last year and continued to do so this year.

Producers find an eager market at home, which is not as demanding and choosy as abroad and which pays higher prices. Exporters have been criticising the foreign exchange rate policy of the government, which in the first four months, when prices went up 30.6 per cent compared with last December, depreciated the dinar by far less against the basket of convertible currencies. Especially hit have been those exporters who either export to the US or have dollar denominated contracts — about half of Yugoslav trade is in dollars.

Another reason for exports and imports lagging behind targets—11.5 and 5.8 per cent, respectively—is lack of foreign exchange for imports. This has also slowed down the growth of production for export compared with the same months of 1985, industrial production was 12.3 per cent higher in January, 6.4 per cent in February, 2.7 per cent in March, and 3.8 per cent in April.

The foreign exchange market is not working smoothly, because demand outstrips supply. Earnings from exports are inadequate, those from tourism coming in later in the year. On the other hand, large debt repayments fell due in the first quarter and will increase again this month. Imports were given a relatively low priority.

Many in Yugoslavia blame this on the new foreign trade and forex legislation passed last December and applied from January 1 without proper clarification. Cynics say that that legislation is excellent, except that it does not work. Whether the new government of Mr Branko Mikulic, who said that he preferred an undogmatic approach to laws, is going to do something remains to be seen.

Not all is bleak, however. There have been some favourable developments in Yugoslav foreign trade. After falling for several years, export prices went up by 3 per cent in the first four months of this year, which more than offset the 1 per cent fall in export volume. Also, exports of equipment went up by 21.7 per cent, while exports of raw and intermediate materials went down by 3.3 per cent.

Also welcome is the increase in trade with developed and developing countries with hard currency payments. On the other hand, while the Yugoslavs would like the share of socialist, mainly Comecon countries in their aggregate trade to fall, they are against it falling in absolute terms. From that point of view they have been worrying about their trade with the USSR, which is on the basis of bilateral clearing.

With recent fall in oil prices, which will induce lower gas and coking coal prices, Soviet deliveries — as currently agreed would be inadequate to pay for Yugoslav deliveries. The shortfall has been calculated at $800m this year. The Soviet vice premier, Mr Ivan Arkhipov, on his visit to Belgrade in April promised that trade will remain at agreed levels, and submitted a list of new products the USSR is offering, worth some $800m.

Alexsander Lebl

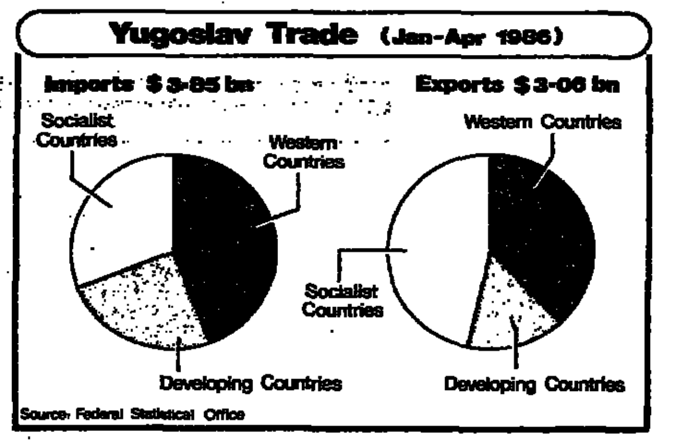
Balance of Trade

	Jan-April 1986	Jan-April 1985	% Change
	US$ bn		
Exports	3.06	3.00	+1.9
Imports	3.85	3.69	+4.3
Deficit	−0.79	−0.69	+14.9

Source: Federal Statistical Office

Containers at the Koper terminal on the Adriatic

Yugoslav Trade (Jan-Apr 1986)



Source: Federal Statistical Office

Sveti Stefan in the Montenegro region

Tourism

Investment needed

YUGOSLAV tourism has held up remarkably well despite the decline in American travellers worried about being terrorist targets and the fall-out from Chernobyl. In fact up to the third week in May the number of tours booked from abroad was still 8 per cent up on last year. The number of foreign tourists along the Adriatic Coast — Yugoslavia's main attraction—was 15 per cent above the 1985 level.

But conspiracy theories abound in Yugoslavia. Mr Peter Djokovic, secretary-general of the Yugoslav Tourist Association, noted, in deploring the temporary ban on Yugoslav imports imposed by the EEC in May, said that those countries quickest to support the ban were Yugoslavia's main competitors in tourism—Italy and Greece.

Whether or not that was the motive, it is true that some holidayers have been deterred from going to areas covered by the food imports ban. By the start of May some tourists were cancelling or trying to postpone holidays in Yugoslavia. By the end of May, however, bookings picked up again, according to Mr Djokovic.

Yugoslav tourist officials are still predicting that foreign tourists will make some 54m overnight stays—3m more than last year, but still short of the 1981 record. They will bring in $1.3bn compared with $1.05bn last year. Proud of the sector's contribution to the economy, Mr Djokovic says tourism brings a high net return, with hard currency input accounting for only 5 to 7 per cent of hard currency receipts.

But what Yugoslavia would like is more foreign investment in tourism. Joint ventures are now permitted in tourism, and last month saw passage of a new law allowing time-sharing arrangements by foreigners in apartments and villas.

Yugoslavia has much of the basic tourist infrastructure it wants. This includes 1.3m beds in hotels, private rooms and camp sites, 20 airports capable of taking large aircraft, ferries around most of the 800 Adriatic islands, 18 marinas, 12 conference, centres and winter sports facilities (particularly now at Sarajevo, site of the 1984 winter Olympics) with 80,000 beds.

But it needs new investment in more villas and tourist bungalows to cater for the more individualist tourist, says Mr Djokovic. He also wants to see more diversified entertainment for tourists—in other words, more ways of encouraging them to part with their money.

David Buchan & Alexsander Lebl

Labour

Life on fringe benefits

AT FIRST GLANCE Yugoslav labour seems deceptively cheap. At the current official exchange rate of 360 dinars to the US dollar, or 555 dinars to the £ sterling, the average Yugoslav monthly earnings of less than 60,000 dinars translates into less than $170 (£110) a month, or less than $1 an hour.

But when Yugoslavs speak of their earnings they always mention net amounts, or what they take home. The same is true of Yugoslav statistics. Elsewhere people and statistics give gross wages or salaries and possibly amounts after tax. So when measured by Western criteria the average wage of a Yugoslav worker is some 30 to 50 per cent higher than stated, when taxes and various other "contributions" (social security, health insurance and so on) are taken into account.

Even $220-$250 (£140-£160) a month, or $1.20-$1.40 an hour is still not much. But other factors must be considered. Workers (which means all who are employed) pay little for transport. They pay nominal prices for canteen meals.

When they get an apartment from their employer the rent is ridiculously low and, although not to the same extent as rents, public utility charges are also substantially lower than in the EEC or Switzerland. They get financial assistance for holidays; the less well off get child allowances; trade unions provide cheap food for their members; and profit-related bonuses can amount to the equivalent of up to four months' wages.

This is not an exhaustive list of fringe benefits. The fact is that the cost of labour to the firm is more than double the net amount of wages and salaries, and the value of what an employee gets is accordingly twice what it appears to be. That is still low by Western standards, but it makes a difference whether cheap labour means an hourly wage of $1 or $2.

That may also have an international significance if one ascribes Yugoslav competitive prices to a cheap labour policy which in fact does not exist.

Walking in the streets of Belgrade or any other Yugoslav city or town one would not believe that average wages and salaries are as low as even twice the amount one is told. The stylish way they dress, the number of durable household goods they own, and the fact that half the 6.2m households have a car (the running cost of which is more than half the average monthly wage) gives one the impression that they are relatively rich people.

How do the Yugoslavs manage it? There are several "shock absorbers." One of them is the fact that in Yugoslav families more than one member is employed. Families are often larger than in the West and stay larger longer, as grown-up children frequently remain in the parental home for lack of housing.

It is not uncommon for three generations to live together so that more earnings can be pooled and costs shared. As in other south European countries, family ties and solidarity are stronger than further north. So few members of the family, in the narrower or broader sense, will go hungry even if without a job — an important safety net in a country with over 1m unemployed, most of the young.

Most urban folk are first-generation city dwellers, with relatives in the countryside who can help them with free food.

Many people in the bigger towns combine a job in industry with evening and weekend work on a farm. Contrary to the widespread belief that such people are work-shy at their industrial job, studies show that they are among the best performers. But they are understandably less interested in self-management meetings and other social activities.

Alexsander Lebl

Arms

Almost self-sufficient

THE EXPORT list of armaments and defence equipment produced by the Federal Directorate of Supply and Procurement of the Ministry of National Defence is a rather thick illustrated book in Serbo-Croat, English, French, Russian, Spanish and Arabic.

What the Directorate, as the only authorised exporters and importers of ordnance and defence equipment, has to offer is impressive. It ranges from small arms to tanks and warships including submarines, and to subsonic aircraft. Services are also offered such as engineering and licensing, or overhaul, maintenance and servicing, as well as training of personnel.

Between 1981-1985 Yugoslavia exported military equipment and engineering worth US$7.5bn. Exports in that period were growing at 30 per cent a year, while imports grew by only 1 per cent. Some 30 per cent of the Yugoslav military (or special purpose in the local jargon) industry is working for export according to General Georgije Jovicic, president of the LC in the Yugoslav Army. Another general, Simo Papic, said that in 1984 Yugoslavia earned $1.8bn through exports of arms, engineering and services. The exports to imports ratio is 5 to 1 and the contribution or arms and related exports to the country's balance of payments has been about the same as that of tourism.

Details about the composition of exports are not available. Foreign observers in Belgrade, however, point out that the bulk is non-lethal items, construction works and other services. Yugoslavia claims to be very choosy as to whom it sells lethal arms—that is to friendly non-belligerent countries, mainly non-aligned ones.

On the other hand, non-lethal materials, such as quartermaster equipment, medical supplies, training aids, overhaul and maintenance services, have been sold to a wide variety of countries including the US.

Yugoslavia is 80 per cent self-sufficient in its defence needs, manufacturing some 400 items and systems.

The country has recently hit some difficulties in buying arms and licences, the latter being preferred whenever possible. For instance, it timed to buy the licence for manufacturing a supersonic fighter-bomber. Negotiations with a US engine manufacturer were started, but the main stumbling block was the refusal to sell the licence and knowledge for vital parts, such as turbine blades. Thus Yugoslavia may have to go shopping elsewhere.

Fears have been expressed by some countries that selling sophisticated arms to Yugoslavia could be a security risk. For years Yugoslavia has been procuring arms and licences both in the US and the Soviet Union. No case of secrets being leaked has ben reported.

Lately, the ugoslav military is becoming less secretive. Foreign correspondents were taken to the permanent exhibition of arms and equipment at Nikinci, some 70 miles north of Belgrade, and Admiral Branko Mamula, the defence minister, said that, except for a few military secrets all countries must have, the Yugoslav defence establishment is and will be open.

Alexsander Lebl

IN THE UNITED STATES BANKRUPTCY COURT FOR THE SOUTHERN DISTRICT OF TEXAS HOUSTON DIVISION

In re

CONTINENTAL AIRLINES CORPORATION,
CONTINENTAL AIR LINES, INC.,
TEXAS INTERNATIONAL AIRLINES, INC.,
TXIA HOLDINGS CORPORATION,
TXIA FINANCE (EUROPE) B.V.,
TEXAS INTERNATIONAL AIRLINES CAPITAL N.V., and
TEXAS INTERNATIONAL AIRLINES FINANCE N.V.,

Debtors.

Chapter 11
Case Nos. 83-04019-H2-5 through 83-04022-H3-5 and 85-05481-H3-5 through 85-05483-H3-5

Consolidated Case No. 83-04019-H2-5

NOTICE OF MODIFICATIONS TO DEBTORS' THIRD AMENDED JOINT PLAN OF REORGANIZATION AND OF LAST DATE FOR FILING OBJECTIONS THERETO

TO ALL CREDITORS, EQUITY SECURITY HOLDERS AND OTHER PARTIES IN INTEREST:

NOTICE IS HEREBY GIVEN AS FOLLOWS:

1. On June 10, 1986, Continental Airlines Corporation, ("CAC"), Continental Air Lines, Inc., Texas International Airlines, Inc., TXIA Holdings Corporation ("Holdings"), TXIA Finance (Europe) B.V., Texas International Airlines Finance N.V. ("Finance N.V.") (collectively, the "Debtors" or "Continental") filed with the United States Bankruptcy Court for the Southern District of Texas, Houston Division (the "Bankruptcy Court"), certain modifications (the "Modifications") to the Debtors' Third Amended Joint Plan of Reorganization, dated February 12, 1986 (the "Plan").

Copies of the Modifications and additional copies of the Plan may be obtained by contacting Continental at the following telephone numbers during regular business hours:
(800) 527-3119 (Outside Houston and in United States)
(713) 630-0111 (In Houston and Outside United States)

2. Objections, if any, to any of the Modifications (except those relating to modification of the treatment of the Finance N.V. 7½% Debentures, filed on May 23, 1986, as to which the time for objections has expired) shall be limited to the Modifications, shall be in writing, and filed with the Bankruptcy Court at the address listed below and served on the following persons on or before June 20, 1986:

Clerk of the Court
United States Bankruptcy Court
United States Courthouse
Seventh Floor
515 Rusk Avenue
Houston, Texas 77002

Honorable T. Glover Roberts
United States Bankruptcy Judge
100 East Washington Loop
Biloxi, Mississippi 39530

Continental Airlines Corporation
2929 Allen Parkway
Houston, Texas 77019
Attn: Barry P. Simon, Esq.

Weil, Gotshal & Manges
Attorneys for the Debtors
767 Fifth Avenue
New York, New York 10153
and
1600 RepublicBank Center
Houston, Texas 77002
Attn: Bruce R. Zirinsky, Esq.

Dotson, Babcock & Scofield
Attorneys for the Unsecured Creditors' Committee
4200 Interfirst Plaza
Houston, Texas 77002
Attn: William M. Schultz, Esq.

Bishop, Liberman & Cook
Attorneys for the Public Debt Committee
1155 Avenue of the Americas
New York, New York 10036
Attn: David Strumwasser, Esq.

Gibson, Dunn & Crutcher
Attorneys for American Airlines, Inc. and Sky Chefs
333 South Grand Avenue
Los Angeles, California 90071
Attn: Ronald S. Orr, Esq.

Booth, Marcus & Pierce
Attorneys for the Union Labor and Pension Creditors' Committee
79 Fifth Avenue
New York, New York 10003
Attn: Claude Montgomery, Esq.

Ervin, Cohen & Jessup
Attorneys for the Non-Union Employee Labor and Pension Creditors' Committee
9401 Wilshire Blvd., 10th Floor
Beverly Hills, California 90212
Attn: Clifford Brown, Esq.

Milbank, Tweed, Hadley & McCloy
Attorneys for the Chase Manhattan Bank, N.A., as Agent
1825 Eye Street, N.W.
Washington, D.C. 20006
Attn: Glenn S. Gerstell, Esq.

Andrews & Kurth
Attorneys for the Institutional Creditors
4200 Texas Commerce Tower
Houston, Texas 77002
Attn: Hugh M. Ray, Esq.

Wachtell, Lipton, Rosen & Katz
Attorneys for Manufacturers Hanover Trust Company, as Agent
299 Park Avenue
New York, New York 10171
Attn: Denis F. Cronin, Esq.

3. A hearing to consider confirmation of the Plan, as modified, shall be held before the Honorable T. Glover Roberts, United States Bankruptcy Judge, on June 30, 1986 at 9.30 a.m. in Courtroom 1 of the United States Courthouse, 7th floor, 515 Rusk Avenue, Houston, Texas 77002.

Dated Houston, Texas
June 12, 1986

BY ORDER OF THE COURT
Hon. T. Glover Roberts

WEIL, GOTSHAL & MANGES
Attorneys for Debtors
767 Fifth Avenue
New York, New York 10153

FUGIT
First Union General Investment Trust Limited

(Incorporated in the Republic of South Africa) (Registration No. 57/02756/06)
A Member of the Liberty Life Group

INTERIM REPORT for the six months ending 30 June 1986

	Notes	Six months ending 30 June 1986 (Estimated)	Six months ended 30 June 1985 (Restated)	Year ended 31 December 1985 (Actual)
Net income after taxation	1 & 2	R10 577 000	R10 174 000	R20 018 000
Weighted number of shares on which earnings per share are based	3	79 246 917	81 972 000	80 807 000
Earnings per share	3	13,35 cents	12,41 cents	24,77 cents
Dividends per share				
Interim – declared 11 June 1986	3	8,0 cents	6,8 cents	6,8 cents
Final – declared 12 December 1985		–	–	12,5 cents
Net asset value per share	4	568 cents	504 cents	540 cents

Notes

1. The income of the Trust does not accrue evenly over each six month period of the financial year but is dependent on the timing and dividend policies of the Trust's underlying investments.
2. Surpluses on realisation of investments have been transferred to a non-distributable reserve in terms of the articles of association of the company and have not been included in the net income after taxation set out above.
3. In the calculation of the comparative figures, the weighted number of shares on which earnings per share is based has been adjusted to account for both the one for ten bonus capitalisation issue in July 1985 and for the fact that certain shareholders elected to receive the special cash dividend of 50 cents per share in lieu of the bonus capitalisation shares to which they were entitled. The 1985 interim dividend of 7,5 cents per share has been restated at 6,8 cents per share, to adjust for the one for ten bonus capitalisation issue.
4. The net asset value shown under 30 June 1986 was calculated at close of business on 10 June 1986 after deducting the dividend herein declared.

DECLARATION OF INTERIM DIVIDEND in respect of the six months ending 30 June 1986

Notice is hereby given that interim dividend No. 51 of 8,0 cents (1985: 6,8 cents) per share has been declared in respect of the year ending 31 December 1986 payable to shareholders registered in the books of the company at the close of business on Friday, 27 June 1986.

The dividend has been declared in the currency of the Republic of South Africa and cheques in payment thereof will be posted from the offices of the South African and United Kingdom transfer secretaries on or about 18 July 1986. Cheques in respect of dividends issued by the United Kingdom transfer secretaries will be drawn in United Kingdom currency equivalent as at 11 July 1986. Non-resident shareholders' tax at the rate of 15% will be deducted from dividends where applicable.

On behalf of the board
D. Gordon (*Chairman*)
J. R. McAlpine (*Director*)

Johannesburg
11 June 1986

South African transfer secretaries
Central Registrars Limited
4th Floor
154 Market Street
Johannesburg, 2001
(P.O. Box 4844
Johannesburg, 2000)

United Kingdom transfer secretaries
Hill Samuel Registrars Limited
6 Greencoat Place
London SW1P 1PL

UK NEWS

Government to consider curbing illicit copying

BY RAYMOND SNODDY

THE GOVERNMENT appears to be moving towards taking action to protect Britain's copyright industries, such as publishing, records and computer software, from international piracy and counterfeiting.

The Department of Trade and Industry (DTI) has decided to call a high-level ministerial meeting, probably next month, to review possible options to prevent losses in world sales estimated at £1bn a year.

Representatives of the main copyright bodies will be invited to the meeting, which will probably be jointly chaired by Mr Geoffrey Pattie, DTI minister responsible for information technology, and Mr Alan Clark, the Trade Minister.

For some time, government ministers have been emphasising on trips to Singapore and elsewhere how seriously they regard the problems of piracy and counterfeiting. The Government is now thinking of taking action, as the US is doing, through Gatt, the General Agreement on Tariffs and Trade.

Another option being considered is to pursue the issue through the EEC and a generalised system of preferences for those nations which respect copyright on British products.

In February, the UK Anti-Piracy Group, which brings together representatives of Britain's copyright industries, submitted a report to the Government calling for a review of trade and aid arrangements with nations where pirates were active to the detriment of UK industry.

The report estimated that UK publishers lost £158m in sales last year in only eight countries. The main offenders, apart from Singapore, are believed to be South Korea, Indonesia, Malaysia and Pakistan.

One book published last year by Longmans – A Comprehensive Grammar of the English Language – had been copied in Korea by December. Illicit versions of British medical textbooks are freely available throughout Sout-east Asia.

The decision to conduct a serious review of future policy options was taken at a meeting last week chaired by Mr Pattie but also attended by Mr Clark and repesentatives from the Foreign and Commonwealth Office.

Labour pledge on job creation

BY DAVID THOMAS, LABOUR STAFF

JOBS CREATED by the Labour Party's commitment to increase public spending should be filled only by people taken from the unemployment register, Mr Roy Hattersley, Labour's deputy leader, said yesterday.

This new commitment was given to the conference of the construction union, Ucatt, which is concerned by the recent growth in self-employment and casual labour in the building industry.

Mr Hattersley said that a Labour government would give public authorities special grants to create jobs, but subject to the condition that "the work must be done by men and women taken from the unemployment register – not cowboys from the black economy, not lumped under another name, not labour-only sub-contracting dressed up to look like respectable employment practices." He shared Ucatt's aim of ending casual labour in the building industry.

He also urged Ucatt to encourage its branches and members to put pressure on local councils, hospital authorities and nationalised industries to begin preparing for extra spending in the expectation of a Labour government. He said: "As far as the immediate programme is concerned, those authorities which are not ready may well lose out." Mr Hattersley claimed that there was now a determination in the Labour Party to win the next general election greater than at any time since he had become a party member. But he said that winning the election would not be easy: "Battles have yet to be fought and won."

He gave three conditions which Labour had to fulfil if it was to win the next election:

- Labour should speak on issues of immediate concern to the general population – such as the need for more jobs, hospitals and schools.
- "We must define our ideological boundaries and we must defend those boundaries against assault and infiltration," he said in a clear reference to the disciplinary action being taken by the party against supporters of Militant Tendency, the far-left faction.
- Labour had to produce an election manifesto which contained practical policies. It should not attempt too much in its first two years of office.

Publishers, teabag makers protest at Canadian levies

BY BERNARD SIMON IN TORONTO

BRITISH BOOK publishers and teabag manufacturers are concerned that a trade dispute between Ottawa and Washington will seriously dent valuable markets for their products in Canada.

The British Publishers Association sent a telegram to Mr Michael Wilson, Canadian Finance Minister, last week protesting against the imminent imposition of a 10 per cent duty on book imports, and threatening retaliation by the EEC against Canadian books and copyright protection.

Tetleys, the British tea processor, has also protested against a six cents per lb tariff on teabags due to take effect on January 1.

The duties on books and teabags were announced earlier this month as part of Canada's retaliation against an earlier US decision to impose a 35 per cent tariff on cedar shakes and shingles, which are used in house construction. The duties apply to imports from all countries to avoid contravening Gatt's most-favoured-nation rule. Canada accounts for almost all US shake and shingle imports but the US is by no means the only supplier of products which Ottawa has chosen for its retaliation.

Britain is by far Canada's biggest supplier of teabags, with 1985 sales of C$32.3m ($23.4m). Although the US accounts for 80 per cent of Canadian book imports, the British share is estimated at C$30–40m a year. Canada is the UK's third largest foreign book market, and has not levied duties on British book imports since 1906.

Canadian officials say that their choice was limited by the need to confine the list to items where tariffs are not bound by Gatt rules.

Morgan Grenfell plans Euromarket borrowing

BY OUR FINANCIAL STAFF

MORGAN GRENFELL, the London merchant bank, is planning a $200m Euromarket borrowing soon after its imminent flotation on the London Stock Exchange, Mr Christopher Reeves, the chairman, has said.

The two events could double the bank's capital from some £300m to around £600m.

Although the nature and timing of the Euromarket loan have yet to be decided, it could well be a dollar-denominated floating rate note issue, on similar lines to the recent $200m 20-year borrowing by Mercury International Group, Morgan's big London merchant banking rival.

The forthcoming stock market flotation – the prospectus is due to be published within a few days – is expected to raise about £150m to add to the capital base. This expansion of the equity will give the group the scope to gear up further through borrowings to increase its resources sufficiently to join the list of major world investment banks.

Mr Reeves said the choice was clear for Morgan Grenfell. "You need to be a certain size, or you are boutique. We have said we do not want to be a boutique."

Shop spending suggests delay in retail boom

BY WALTER ELLIS AND DAVID CHURCHILL

THE VOLUME of UK retail sales fell slightly in May, according to provisional figures, giving rise to fears that the widely forecast consumer spending boom may be delayed until later in the year.

Seasonally adjusted estimates from the Department of Trade and Industry suggest that sales in the retail sector declined last month by 0.75 per cent. Market expectations were of a rise of some 0.5 per cent.

Retailers, however, deny that May was a bad month. Some at least report high sales over the four weeks. City of London analysts were divided on the significance of a one-month decline, if confirmed, but most spoke of the likelihood of revised statistics.

The provisional index for May stands at 118.4 — below the figures for March and April but above previous levels. The March index stands at 119.8 – a record high – and that of April at 119.3. The January figure, bloated by post-Christmas spending, was 117.

By value, based on non-seasonally adjusted data, retail sales rose by 8 per cent last month against May 1985. The average value for sales in the five months to May is put at 8 per cent above the level of the same period last year.

Brokers agree that the personal savings sector has been the main beneficiary so far of the excess disposable income generated by wage settlements, the rise in sterling and the effects of falling oil prices.

Mr Gavyn Davies, an analyst with Goldman Sachs, said that many wage earners had yet to catch up with the fact that their incomes had grown this year. When they did, they would begin to spend at a higher level.

The Treasury and brokers expect sales to increase again in the second half of the year, leading to a rise overall of as much as 4 per cent.

David Churchill explains Ladbroke's decision to pull out of the amusement business

Rank calls the numbers in national bingo

THIS WEEK sees the launch of Britain's first national bingo game in which more than half a million people in some 800 bingo clubs throughout the UK will hope to win the £50,000 first prize on offer.

The national game – which, ironically, is being switched on by Mr Derek Jameson, who first introduced bingo games to newspapers in the UK – is the latest attempt to stem the decline in popularity in what was once claimed to be Britain's favourite leisure pursuit.

With an apt sense of timing, therefore, the Rank Organisation yesterday moved quickly to become the UK's largest operator of licensed bingo clubs with a £67.5m agreed takeover of Ladbroke's bingo clubs and amusement centres.

The deal will give Rank some 94 bingo clubs with some 17.5 per cent share of the total market for licensed bingo club admissions which last year totalled 120m. Previously, Rank's share of admissions was behind that of Mecca, with about 13 per cent of the market, but ahead of Coral with 9 per cent and Granada's 8.5 per cent.

Ladbroke's decision to pull out of bingo and amusement centres is part of its new strategic policy of concentrating on its core businesses of betting, hotels, property, and do-it-yourself. "We felt we could better use the money in developing our core businesses than remaining in bingo," explained Mr John Jarvis, a Ladbroke Group director, yesterday.

Rank, however, is keen to expand its existing operations after the failure of its merger plans with the Granada Group earlier this year.

"Bringing the two social and bingo club circuits together will produce a significant improvement in profitability through both overhead and operating cost reduction," says Mr Michael Gifford, Rank's chief executive. "Top Rank will become the leading social and bingo club business in the UK with 94 clubs, with annual admissions of over 20m."

Rank's belief in the future of bingo is echoed by Mr Peter Hilliar, a leisure industry analyst with stockbrokers Fielding, Newson-Smith. "Although bingo is a mature industry like retail bookmaking, it should not be written off as dead," he says.

Bingo emerged as a popular leisure pastime in the late 1950s and early 1960s as an increasing number of cinemas – hit by the growth of television – were converted into bingo halls. In spite of legal curbs on the amount of prize money and advertising that could be undertaken, bingo's popularity grew rapidly. In its heyday in the 1970s, there were more than, 1,700 licensed bingo clubs and more than 5.5m regular punters.

Bingo became something of a social phenomenon, appealing to elderly women and housewives in the lower socio-economic groupings. Bingo for these women was what betting shops were for men; bingo halls provided a regular escape for many housebound where the social atmosphere was often more important than the winning.

But in the late 1970s and into the 1980s, bingo's popularity waned. This was largely a result of the recession, which particularly hit lower-income groups, as well as changing social trends. The bingo hall was no longer such an attractive environment for younger women in the face of new competition from other leisure activities, such as pubs and wine bars.

Moreover, a rise in street crime has also deterred many older people who have to rely on public transport. The result has been a fall in the number of licensed bingo clubs to about 1,200 and a decline to about 3.5m in the number of regular bingo players.

The bingo industry has sought to fight back and had hoped to push through legislation in 1983 (before it was killed by the general election) which would have paved the way for a national bingo game. Eventually, however, a private member's Bill was passed last year which gave the go-ahead for a national bingo game with single prizes of up to £50,000.

With some half the admissions market still in the hands of independent bingo halls – many of whom are not participating in the new networked bingo game – the major operators hope that they will be able to increase their share of the market even if the long-term decline in its popularity continues. Rank, therefore, could be said to be looking for a "full house" from its new investment.

Labour to press for S. African sanctions

THE GOVERNMENT today confronts a determined opposition attack in the House of Commons over its refusal to impose immediate sanctions on South Africa, Michael Cassell writes.

Faced with mounting international pressure to introduce economic measures and signs of growing unease within the ranks of Conservative MPs, ministers intend to launch an equally forceful defence of their refusal to be rushed into early action.

Sir Geoffrey Howe, the Foreign Secretary, who voiced the Government's deep misgivings about the imposition of sanctions at yesterday's meeting of EEC Foreign Ministers in Luxembourg, is expected to make a statement before the House debates a Labour motion calling for effective economic measures against South Africa.

The Labour motion, says that, in the light of the report of the Eminent Persons Group, the Government should now work actively with the European Community, the Commonwealth and the United Nations for the imposition of effective measures.

The attack will be led by Mr Denis Healey, Labour's foreign affairs spokesman, who announced yesterday that he is to visit South Africa next week, when he hopes to see Mr Nelson Mandela, the imprisoned leader of the African National Congress. Mr Healey will hold talks with church leaders, trade union representatives and members of the United Democratic Front.

□ **JAGUAR** needs a further four years to complete its turnaround, Sir John Egan, chairman, told the London Chamber of Commerce.

"Another four years are necessary to create the powerful company we know it can become," he said. Jaguar, formerly part of the state-owned BL motors group, was privatised in 1984.

□ **BRITISH SHIPBUILDERS'** external financing limit (EFL) is to rise by £57m this financial year to meet the cost of redundancies and closures and delays in payments by customers.

Mr Peter Morrison, Industry Minister, said that the EFL would rise from £73m to £130m, most of the extra money going towards restructuring costs.

Breakaway miners back political fund

BY PHILIP BASSETT, LABOUR EDITOR

THE BREAKAWAY miners yesterday voted for the establishment of a political fund – though the Union of Democratic Mineworkers' (UDM) conference made clear that at best, payments from any such fund would not automatically go to the Labour Party.

Leaders of the UDM, formed out of deep divisions in the National Union of Mineworkers arising from the 1984–85 coal strike, will now begin to draw up political rules for the union after the decision by 323 votes to 22 of the conference in Buxton yesterday in favour of setting up a fund.

A UDM political fund could be a further source of difficulty in the already-strained relations between the union and the Labour Party, which refuses to recognise it.

For a manual union such as the UDM to have such a fund, and not affiliate to Labour would be unprecedented, but feeling against Labour is high within the union because of the refusal of Mr Neil Kinnock, the party leader, to support the UDM even though the Labour leadership disagrees with many of the tactics of the NUM in the strike which led to the UDM's formation.

The prospect is also clearly there of the union either supporting independent labour candidates, or even other political parties entirely, which would again embarrass Labour. The move is a significant step for the UDM towards greater credibility as a fully-fledged trade union.

Improvements urged in language teaching

BY MICHAEL DIXON, EDUCATION CORRESPONDENT

THE GOVERNMENT yesterday called for a drastic overhaul of foreign language teaching in schools with the main aim of improving Britain's exporting capacity.

A policy document issued by Mr Kenneth Baker, Education Secretary, and Mr Nicholas Edwards, Secretary for Wales, urged local education authorities and school heads to teach many more pupils more languages with emphasis on their use as tools of practical communication.

The document focused on the harmful effect of Britain's lack of foreign language ability. It repeated criticisms made by an official committee of inquiry 36 years ago in giving a warning that British companies were often "fatally handicapped" because their staff could not converse in overseas customers' languages.

The two ministers said that, compared with many competing countries, the UK "has a damagingly small proportion of people who understand and speak a foreign language."

Schools had a crucial role in teaching young people other nations' languages and "in our view, the time is right for a substantial reappraisal of the way in which that demanding task is carried out."

At present, only a small minority of people left full-time education with pracitcal proficiency in a foreign language. Very few had even been introduced to languages other than French, although German was at least as important for trading and there was also strong need for Italian and Spanish.

The ministers said local education authorities running state schools should urgently prepare and put into force policies for teaching most pupils practical foreign language skills, at least throughout their compulsory secondary schooling.

Wherever possible, a second foreign tongue should be taught to children from the start of their second or third year in secondary school.

The ministers accepted that the new policies would require "some further limited improvement" in funds for recruiting and training additional teachers.

Foreign languages in the school curriculum. Free from Education Department dispatch centre, Canons Park, Stanmore, Middlesex HA2 IAZ.

Owen prepares to heal rift over Polaris

By Peter Riddell, Political Editor

DR DAVID OWEN, the Social Democratic Party (SDP) leader, yesterday indicated his willingness to begin discussions to heal the row within the leadership of the SDP/Liberal Alliance over nuclear defence policy.

In what was seen by participants as a markedly conciliatory intervention, Dr Owen sought to cool the temperature of what had become a heated issue during a two-hour discussion at the party's national committee yesterday afternoon.

Dr Owen apparently talked of trying to achieve an agreed formula and wording with the Liberals to find ways round the differences over the replacement of Polaris. This was seen by other party leaders as indicating a desire to work something out with Mr David Steel, the Liberal leader, to prevent open division at the respective party conferences this autumn, possibly via the formation of a new joint committee to look at the question.

This move will undoubtedly be welcomed by Mr Steel and by other Alliance leaders

Wapping picketing injunctions sought

BY HELEN HAGUE, LABOUR STAFF

NEWS International has issued writs against three more officials of the print union Sogat '82. It is seeking injunctions to end mass picketing outside the company's Wapping plant in east London, which is at the centre of the 21-week dispute.

Mr Rupert Murdoch's company launched its fresh legal offensive against Sogat and the other main print union, the National Graphical Association (NGA), on Friday after Sogat's policy-making conference had endorsed calls to step up picketing outside the plant.

This follows the unions' rejection of News International's £50m compensation offer to end the dispute over the 5,500 printworkers sacked when the company moved to Wapping.

If the injunctions are granted and picketing continues, the unions could have their assets seized for contempt of court.

Writs have now been issued against six named Sogat officials and three London branches, and against Sogat and the NGA nationally.

Affidavits signed by people working in Wapping accompanied the writs. Details of News International's costs arising out of the dispute – including £100,000 a month for security at the plant are also included – together with alleged evidence that journalists offered jobs at Wapping have turned them down because of the presence of hostile demonstrators.

Mr Norman Willis, general secretary of the Trades Union congress (TUC), last night met representatives of the five unions involved in the dispute in an attempt to thrash out future strategy. Mr Eric Hammond, general secretary of the electricians' union EETPU – which has members working in Wapping – was among those present.

The NGA favours increasing pressure on the electricians by resubmitting a complaint to the TUC against the EETPU unless it instructs its members not to cross the Wapping picket lines.

The executive of the National Union of Journalists (NUJ) voted by 12 votes to eight at the weekend to instruct members not to handle or process copy from journalists working for News International.

Last week, the Plymouth-based Western Daily Press sought an injunction against the NUJ for instructing its members not to handle News International copy.

UK NEWS

Grumman given extended deadline on Nimrod bid

BY DAVID BUCHAN

THE LONG-RUNNING saga of how the Royal Air Force is eventually to get a modern airborne early warning system has taken a new twist with the Ministry of Defence (MoD) decision to give Grumman of the US a further three weeks' grace to prepare what will be a fifth competitive bid to complete the troubled project.

Final bids to provide the RAF with an airborne early warning (AEW) system were originally due yesterday, under terms agreed this spring by the MoD with the present contractor, GEC Avionics, which has been struggling to fit its radar into Nimrod aircraft to the RAF's satisfaction.

Impatient with the Nimrod programme which is three years late and has cost £1bn so far, the MoD gave GEC an extra six months until early September, to prove to RAF satisfaction that it could develop an AEW system. At the same time it solicited rival bids from US suppliers – Boeing, Lockheed and Grumman. The first two of these three suppliers have offered only complete AEW aircraft systems, totally replacing the Nimrod and, therefore, considerably more expensive.

The third, Grumman, has offered its E-2C Hawkeye aircraft, but also as a cheaper option the fitting of its Hawkeye radar into the Nimrod airframe.

A spokesman for Grumman in New York said yesterday that the MoD had last week asked his company to come up with a firm fixed-price bid for integrating the Hawkeye radar into the Nimrod. As a formality all bidders had been given until July 7 to make their final tenders.

The latest Grumman proposal set up a tug-of-war for the loyalties of British Aerospace. BAe, which has been joint prime contractor with GEC on the Nimrod programme. Grumman wants BAe to act as prime contractor for the fitting of Grumman radar, computer software and display units which it would supply, as subcontractor, for what it roughly estimates as less than $400m, or about half the cost of 11 complete Hawkeye aircraft.

The MoD also seems keen that whatever AEW system is built it should be by a sole prime contractor, not with split responsibility as in the past.

BAe said yesterday that the company was in no position to launch a joint bid while it was still working with GEC. BAe had completed almost all its work on the Nimrod AEW, and been paid for it. If Grumman were to win the current bidding, then BAe could join in with the US company. But this would occur only if GEC were definitively displaced on the AEW project.

GEC had made known its displeasure at the three-week postponement of the bidding deadline, and clearly does not want BAe offering its services to a US competitor. Grumman, by contrast, believes it could trump its US rivals by virtue of price and of having a UK company such as BAe act as prime contractor.

Payment by credit card ruled as being 'not conditional'

BY RAYMOND HUGHES, LAW COURTS CORRESPONDENT

HOLDERS of credit or charge cards cannot be called upon personally to pay the suppliers of goods or services obtained on their cards if the card-issuing company goes out of business before it has paid the supplier, a High Court judge has ruled.

In the first case concerning what he described as the complex legal relationships arising in an everyday transaction of deceptively simple appearance, Mr Justice Millett held that payment by credit or charge card was not, like payment by cheque, a conditional payment only.

He said he reached his conclusion partly because a supplier who was not content to accept the security of the card-issuing company alone, but wanted additional customer recourse, could require payment by cheque accompanied by a bank card.

The judge added that there was a general public understanding that when a customer signed the voucher he had discharged his obligations to the supplier, and that he paid for the goods or services he had obtained when he paid the card-issuing company.

To rule otherwise, the judge said, would mean that if a cardholder had already paid the card company, he could face having to pay twice for the same goods or services. The supplier had to look for payment to the card company, of which it would be an unsecured creditor.

The issue arose in a case concerning Charge Card Services, a company promoted by the Motor Agents' Association and the Scottish Motor Trades' Association, which went into creditors' voluntary liquidation in February last year with a deficiency of about £1.9m.

About 4,686 garages and 33,500 cardholders were members of a scheme under which customers paid for petrol and oil with the company's Fuel Card.

Garages in the scheme had argued in court that, if a sales voucher was not honoured by the card company, they could claim payment from the customer, whose liability to pay was not discharged until the goods or services had been paid for.

The judge said that the essence of the transaction between the garage and the customer was that they had each, for their mutual convenience, previously agreed to open an account with Charge Card Services.

They had agreed that any account between them might be settled by crediting the garage's and debiting the customer's account with the card company.

That process did not depend on the card company's solvency and the customer must, at the latest, be discharged from liability when the garage's account with the company was credited on receipt of the voucher, not when the garage was paid.

That, the judge said, indicated that payment by card was an absolute and not a conditional payment.

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TECHNOLOGY

Singapore puts an innovative touch into its computers

BY STEPHANIE YANCHINSKI IN SINGAPORE

SINGAPORE'S rapid move away from mere computer assembly towards a role of computer innovation is becoming increasingly evident.

Two new products, a "smart" keyboard from Hewlett Packward (HP) in Singapore and an automatic keyboard testing unit from Apple Computer, show just how far the country has already travelled down this road.

At the same time more companies, such as the US telecommunications giant AT & T, have announced plans to locate their centres of advanced research in the island republic.

Singaporean engineers at Hewlett Packard's manufacturing facility designed their new generation of smart keyboards entirely from scratch, in record time, using the latest in CAD/CAM (computer aided design/computer aided manufacturing) technology and tools. Meanwhile, Apple Computer's automatic method for testing keyboards, one of the first in this field, operates twice as fast as human beings and is set vastly to reduce labour costs in this area of the computer industry.

Both companies are putting together teams of engineers, born in the region, but recruited from all over the world. Managers believe they are especially well equipped to compete with companies located in the Southeast Asian region.

In designing their new keyboards, Hewlett Packard engineers made fundamental changes both in the electronic circuitry for keyboard control, and in the design and assembly of a keyboard's shell and keys. Altogether, they reduced the number of components from over 1,000 to just 300, resulting in substantial savings in assembly time, overheads and costs, and improved reliability.

Long considered mundane and "low tech," keyboards now rate as vitally important to consumer acceptance of computers and more attention is being put into their design and manufacture.

HP product engineers in Singapore applied a relatively unknown technique called "outsert moulding" to re-fashioning the keyboard. Normally, the 107 plastic "housings," which support the lettered keycaps, are moulded individually. Human hands or sophisticated robots then load each key into its own particular hole in the keyboard's aluminium base.

This is painstaking work, requiring great accuracy, as the slightest misalignment means the key will stick or not send a signal.

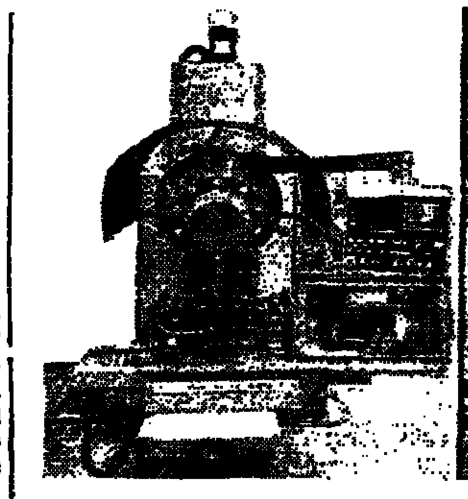
In the outsert moulding process, a special tool directly moulds the plastic housings on to the metal plate, reducing 107 individual parts to one. HP's engineers have further reduced the number of keyboard components by manufacturing mats of springs, which slide inside the housing, giving the keys their bounciness and the "feel" so important to users.

This was not the only achievement of the Singaporean engineers. One of their teams, training at HP's facility in Corvallis Oregon in the US, designed a VLSI (very large scale integration) chip with 6,000 transistors on a wafer 3 cm in size to go inside the new keyboard. This sharply reduced the number of integrated circuits from 11 to 3, while vastly increasing the complexity of the chip.

For instance, it now carries analogue as well as digital information so that the keyboard communicates more fully than ever before with the computer terminal.

Other international corporations find Singapore a fertile place for innovation. SGS, the Italian conglomerate, opened a silicon wafer fabrication facility and design centre in October, 1984, which is soon to yield its first Singaporean products.

Apple Computer used local talent to develop its automatic keyboard testing unit, at the heart of which is a computer which moves a metal plunger from key to key, constantly checking whether it hits the right one. The automatic testers have been sent to Apple factories around the world. They cost around US$5,000 each, work twice as fast as their human counterparts and eliminate at least two people on a production line.



FAR LEFT: One of VEGE's three computer numerical controlled robots. CENTRE: Storage facility at the Spijkenisse plant. LEFT: Finished product, an Opel/Cavalier engine as supplied to the purchaser, complete with warranty, fitting instructions, service and European agencies literature.

Dutch automation fires on all cylinders

Laura Raun, in Amsterdam, looks at how a marriage of traditional expertise and new technology has transformed VEGE Motoren, of the Netherlands, from a small garage workshop into the largest independent re-manufacturer of car engines in Europe

GREASY, filthy car engines litter the floor around the rear entrance to VEGE Motoren. But when they are shipped out, these used engines are almost like new, except for the price.

VEGE has transformed itself from a dull and dirty business doing engine rebuilding as jobbing work into an advanced technology company that remanufactures engines to the highest standards and on a mass scale. Nestled among the oil refineries just south of Rotterdam, the Dutch company is Europe's largest independent rebuilder of car engines with sales of Fl 74m ($189m) last year. Nearly all of the 54,000 engines rebuilt annually are exported, 10 per cent of them to the UK. They are sold through a network of agents which distribute to garages, engine part-shops and individual motorists.

Japanese robots, electromagnetic crack detection and automatic cleaning processes enable VEGE to match the quality of rebuilt engines from major car manufacturers with unrivalled efficiency. The shiny, metallic engines rolling off the assembly line carry a one-year or 12,000-mile guarantee.

"No one can steal the automation from us because most of it has been developed in-house," explains Mr Wim Versteeg, sales department managing director and a son of a co-founder.

Through trial and error VEGE has gradually automated about one-quarter of its production, welding together 50 years of experience in the rebuilding business with new and innovative technology. VEGE was founded in 1936 by Mr Wim Versteeg, the elder, and a partner named van Genderen, whose initials together formed the name of the small garage-workshop company in Spijkenisse. Mr van Genderen soon dropped out and the company has remained tightly controlled by the Versteeg family, although some thought has been given to going public in a few years.

The jobbing reconditioner prospered after the Second World War when transport was at a premium in the Netherlands and vehicles were scarce. By the 1960s Mr Versteeg decided to move from piecemeal work to mass production, involving the first real investment in advanced equipment. A major turning point for VEGE, mass production eventually pitted the Dutch concern against a dozen major European rebuilders and automakers instead of 70 tiny Dutch shops with one or two mechanics.

The decision to produce en masse was well timed as VEGE was able to partially offset the market slump in the early 1970s, when the first oil crisis curtailed driving, with higher production and more exports. The greater penetration of the European market, however, heightened competition with the big independent rebuilders and car manufacturers.

Responding to this stiffer competition, Mr Versteeg and two of his sons decided in the mid-1970s to maintain quality at least on a par with the brand-name rebuilders and to increase efficiency even more. A two-pronged strategy was chosen: production in low-cost countries and automation. A production plant was set up in 1977 in Kalaa Kebira, Tunisia, and another overseas facility is under consideration, perhaps in Mexico.

The first automation began a decade ago but most of it has occurred in the past five years at a cost of around Fl 10m. About 25 per cent of the remanufacturing is automated now and VEGE hopes to raise that to 50 per cent in the next 10 years. The company has developed 70 per cent of the equipment itself, based on its long experience, and acquired the rest outside, with the help of consultants, for example.

"We're so specialised we can't just walk out and buy it off the shelf," explains the younger Mr Versteeg.

Mr Fred Versteeg, managing director, concedes: "We've made a lot of mistakes because we made it (automated equipment) ourselves. It is a constant development, every day." The automatic washing machine, which looks and works like a giant dishwasher, has gone through three improved versions since it was first installed 10 years ago.

The cleaning process was tackled first because it was labour intensive and one of the most crucial of the rebuilding processes. Even the tiniest bit of dirt on engine parts can hamper the very precise machining later on.

After this first move, other steps along the assembly line were automated. Carbon deposits that cling stubbornly to the cylinder head, despite the washing machine's three solvents, are blasted off with crushed walnut shells, which can then be burnt away.

Valve seats are then semi-automatically bored out. The cylinder heads are checked for hairline cracks invisible to the naked eye through an electromagnetic process in which ultraviolet light spots magnetised particles drawn to the fissures.

The most dramatic step by far has been the introduction of robots for valve guide reaming and valve seat cutting, high precision steps that previously were subject to human error. Japanese robots from Fanuc have been married to West German sensors, a merger that "the Japanese said couldn't be done," Mr Wim Versteeg says with gleeful pride. The sensors, reamers, grinders and borers all radiate from a central wheel not unlike a windmill.

The computer - controlled robots use their sensor arm to find the exact centre of a valve guide and then memorise the dimensions for the next cylinder head of that type. Another arm bores the valve guide to the right size within one-hundredth of a millimetre and another arm will cut the valve seat to the precise size.

Three of the Fl 250,000-Fl 300,000 robots have been installed in the past three years, increasing quality control, speed and manning flexibility. Workers assigned to the robots can be changed more easily because less specialised skills are required than with manual measuring, grinding and boring.

VEGE hopes in the not-too-distant future to develop a robot that can weld cylinder heads to remove cracks, an especially difficult task for a machine because of the infinitely changing location of fissures. "We're researching how to solve that," Mr Wim Versteeg says.

Automation has indeed yielded benefits, the Versteeg brothers agree. Productivity has spurted. During the last five years the number of employees has risen by 50 per cent, while sales have doubled. Five years ago each employee accounted for about Fl 100,000 of sales whereas today that figure has increased to Fl 140,000-150,000. Profits have doubled during the last 36 months.

Production costs have climbed over the past couple of years because of the automation investments, Mr Fred Versteeg says, but at a slower pace than in the rest of the industry. A problem still to be solved, he continues, is too-high inventories. "We've tried the Japanese just-in-time method but we're still working on the problem."

Quality control has improved sharply as machines have ensured a consistency that human hands could not. Maintaining high quality has become increasingly important as VEGE has offered an increasing number of engine types, now between 50 and 60. Consistent quality has fuelled sales growth, which has led to a bigger market share, the Versteeg brothers add.

Retooling times have shrunk and operating time has lengthened. The factory operates 42½ hours a week even though the employees' working week has fallen to 38 hours.

Throughput time for an individual engine, however, has lengthened to 14 days, from seven or 10 days five years ago, because of the greater variety of engine models and brands. VEGE's aim is to cut this time back to one week.

Finally, jobs themselves are made more interesting because machines do the duller, more repetitive tasks. An employee in his 20s, casually clad in jeans and t-shirt and sporting an earring, demonstrates how tedious the manual walnut-blasting was in the past. "It's much better now," he states.

● On May 28 this series looked at Swatch, the Swiss watch maker, and on June 3 Hoover, British domestic appliance manufacturer.

Revival of the Fittest

THE ARTS

Kokoschka at the Tate/William Packer

Restless expressionist in retrospect

Oskar Kokoschka died in the February of 1980 in hospital in Montreux, a resident of Switzerland for nearly 30 years, a British subject since 1947, and a few days short of his 94th birthday. His had been indeed an erratic, restless and, even in those later years, a much-travelled life, so it is perhaps no more than right that now the centenary of his birth should be marked by a major retrospective exhibition originated and put together in London, where since the war at least his work has been increasingly appreciated.

The British have a way of coming to their senses too often too late and for the wrong reasons, but none the less sincerely for that. This sometime cavalryman in the Austro-Hungarian army of the First World War, decadent artist refugee from Hitler's Germany in England throughout the Second, was indeed accepted at last by our cultural establishment as almost one of its own.

How curious it is, therefore, and yet how characteristic that the painter of some of the greatest Expressionist portraits, made in that heroic age of modernism before the First World War when he was not yet 30, should find himself in the 1960s, after so long an interval of neglect, painting such luminaries as Agatha Christie and the Duke of Hamilton and his Duchess. One of the most remarkable of those early portraits, the *Herwarth Walden*, of 1910, was for many years on loan to the Tate and might have come to it finally as a gift. But the sad story is that the loan was abused, the work neglected and the chance gone long before the Tate could make amends by the major retrospective it gave Kokoschka in 1962.

Children Playing (1909), from the Oskar Kokoschka retrospective at the Tate Gallery

The present show, chosen by Richard Calvocoressi, an Assistant Keeper in the Modern Collection, who has also been largely responsible for the splendid catalogue that the United Technologies Corporation has produced for the occasion, is not so large nor so comprehensive for it has rather fewer oil paintings and nothing of the graphic work. Its opportunity, however, is very different, for now the *oeuvre* is necessarily complete. Time in any case has much moved on and with it our view of the work. *Less* is certainly not worse.

A major public exhibition held in the artist's lifetime will inevitably celebrate to a great extent the artist himself as a personality beside his individual achievement. Especially was this so with Kokoschka in 1962, when the expressionism in which he was set was, *mutatis mutandis*, a thing it seemed of the distant past and longevity itself, and survival in evident vitality, enough to secure our interest and admiration. A quarter of a century on we may allow ourselves less personal, more detached a view, and certainly it is curious to discover how much less remote, how much more immediate and germane, expressionism in all its aspects now is.

It is only fair to say that some of the judgments that were then suspicious have been borne out. Kokoschka's astonishing burst of creativity before 1914 could hardly be sustained and if his long life's work is never without interest, it is uneven and marked by slow decline. Effort is redoubled, scale amplified, a certain desperate intensity achieved but never are that first concentration, that febrile, nervous line and intense, almost psychological presence of the image to be recaptured.

And that said in its turn, I must also add that in comparative terms the work of Kokoschka's extreme old age is among the most distinguished of its time. We may have witnessed a revival of figurative expressionism in recent years, but far too many of the younger painters Kokoschka must stand as an example and reproach. Always in his work, no matter how loose the statement, there is the underlying, disciplined sense of form seen, studied and understood, of space organised and structure established. Never is there any question of intention masquerading as realisation, of the thought as the deed.

For Kokoschka was from the first a very great draughtsman, in which aspect of his work he was to remain rather more consistent. The Tate here does him full justice, and to stand in the first of the two rooms towards the end of the exhibition, which together offer a reprise in small of the entire career, is to enjoy one of the most moving experiences of visual art currently available. A handful of life drawings and a longer run of larger portrait studies take us into the early 1920s, each image so swift and direct in its execution and yet so tender and particular in feeling and exact in observation.

And though by the early 1920s Kokoschka had already been settled in Dresden for some years and was a figure on the wider stage of European modernism, always on the move to Paris and Berlin, to London, Prague, Italy, these drawings show us that in essence he would always be a Viennese in his sensibility, a creature of post-Secession expressionism and the Vienna *avant garde*, Klimt's pupil and Schiele's peer. The first rooms of all, which are given to his early years in Vienna and Berlin, on coming back to them a second time, confirm the point. As a painter Kokoschka would use colour freely enough—to risk a truism—but he was clearly never a colourist. Where the work disappoints, as it does so often from mid-career, never more so than in the last work, it is neither for the imagery nor for the physical handling of the material but always for the colour. The more colourful the work, as it frequently is, the greater the problem.

Pitched in a lower key, as these early paintings are, the articulation of form more tonal than chromatic, the results are always the more imaginatively potent and physically beautiful. The paint is often thin, scratched and scraped across the surface, the image inscribed with a nervous insistency that verges at times on the uncertain, yet even so we acknowledge the presence and achievement of a great artist. All was done before 1918.

Fame, notoriety, obscurity and established celebrity would follow in their turn, to fill out a life more than rich enough in incident to occupy the biographers a long time yet. The loves and liaisons, arrogances and insecurities of a true artist have their place, but it must be the work as such that finally secures the reputation. Our expressionism of which he was an early and leading exponent we now recognise as one of the most powerful forces at work upon the 20th century creative imagination. Kokoschka was not the greatest of the expressionists, but theirs was always a collective, cumulative and various achievement and, he certainly had his moment. To qualify the later work in the light of that spectacular youthful achievement is not to deny it its due respect. Great artists, after all, are rarely great all the time, and we demean them, and deceive ourselves, by insisting otherwise. This fine exhibition, which remains at the Tate until August 10 (then on to Zurich in the autumn, to New York in the winter) allows us the balanced view.

Les Troyens/Portsmouth

Max Loppert

For the finale of its 1986 schedule the Portsmouth Festival on Sunday mounted a tremendous undertaking—a concert performance, complete in every bar and repeat, of Berlioz's mighty masterpiece. The Bournemouth Symphony Orchestra and combined Bournemouth and Portsmouth choirs were conducted by Roger Norrington; the enterprise was sponsored by Brittany Ferries and the city of Caen (Portsmouth 1986 has been a "French" festival), and broadcast live on Radio 3.

The case for *The Trojans* was first argued by British concert performances, so Sunday's was in an honourable tradition. But that case is now gloriously won; and the picky critic might have found instead occasion to regret that this was a concert, not a staging, of what is after all one of the supreme instances in the operatic literature of theatrical spectacle tuned to the highest pitch of dramatic meaning.

Even in these circumstances the work affords many purely physical exhilarations to stir an audience, and Norrington exploited them all resoundingly—with brass players disposed to every corner of the Portsmouth Guildhall, the "architectural" side of the score was cared for as vividly as these clear but dry acoustics would allow. But British and North American singers in evening dress using a language not their own in which to mark out character dimensions are inevitably at a disadvantage; and, with one noble exception, none was sufficiently self-charged with dramatic power to overcome it.

Yet report on the occasion can hardly end there; for no complete *Trojans* ever can be just another concert performance, and with such a conductor in control the thrill and grandeur of its long lines and large forms was very often invoked with the most genuine sort of Berliozian passion. If there was a fault, indeed, it may have been conductorial over-enthusiasm—brass and percussion effects driven to the edge of the pain threshold (this hall no doubt answering for some of the edginess), the sublime lyricism of the garden sequence never fully left to breathe. But Norrington, who some years ago first showed his mettle in a Chelsea Opera Group *Fall of Troy*, inspired increasingly fine orchestral playing, and got the best out of a willing but over-parted chorus (tenors particularly lacking metal).

Eiddwen Harrhy was a soprano Dido — classical, exquisitely cool on the surface and deeply fired beneath, alert to verbal nuance, wanting only power for the finale and sensual lustre for the love music. The Cassandra, Jo Ann Pickens, had a fine voice but not much of a Berliozian way with it. Stuart Kale's Aeneas proved impressively accurate and surprisingly unforced, though the stature of the character had to be surmised from his clean singing. Among the smaller parts John Rath (an array of soldiers and ghosts) stood above the sound middle level notched elsewhere.

NCOS Orchestra/Goldsmith's College

Paul Driver

Goldsmith's College is perpetuating the tradition of the discontinued BBC College Concerts with its own series of presentations "designed to be of interest to a university audience" and embracing both "unjustly neglected masterpieces from the past and especially interesting music of our time."

The programme performed by the symphony orchestra of the National Centre for Orchestral Studies on Friday fulfilled this purpose, assuming that is, that Holst's late masterpiece, *Egdon Heath*, is neglected (I suppose it is). The short tone-poem, inspired by a descriptive passage in Hardy's *Return of the Native*, was given an extremely persuasive reading, which duly pointed the significance of each of the few notes, brought to attention such features as the uncommonly expressive sub-division of the string section (string harmonies often spread from the back-desks inwards), and convincingly conveyed the *Tapiola*-like bleakness of a vision embodied in a score of *Tapiola*-like economy and richness of effect.

The conductor was Adrian Leaper, replacing Harrison Birtwistle, who is suffering from tennis elbow. He was billed not only to conduct this piece, but Stravinsky's Symphonies of Wind Instruments (which Mr Leaper went on to take at an amazingly fast and detrimental speed) and his own brief setting for soprano and chamber orchestra, *Words Overheard*, which had its first London airing in the event under Mr Leaper's baton.

The setting, made in a week last October (and dedicated to the late Brigitte Schiffer), is, I take it, of the composer's own words a close relative of his *Songs by Myself* premièred by the London Sinfonietta some months ago. The precise reference of the words is not readily apparent on first hearing, but the musical gestures are instantly apprehensible, even if some of them are new. For as well as the familiar interweavings of austere melody, jabs of iridiscent cluster-harmony, woodwind doodles and densely packed rhythmic blocks are an allusion to Berg's harmony and some use of surprisingly simple rhythms. The vocal line—nicely developed by Penelope Walmsley-Clark — is lively, witty and bright. The work as a whole appeals for its novelty, brevity and panache.

A cleverly devised, texturally fresh and engaging short essay—*The Barber's Timepieces*—by NCOS composer-in-residence John Woolrich was also played: with its percussive tick-tocks, extended melodies for a woodwind section including saxophone, and processional character it made an excellent complement to the Birtwistle. Adrian Leaper proved his considerable worth not just as an orchestra-trainer but as a performer in a vivifying, pungent, fascinating account of *Stravinsky's Symphony in Three Movements*.

Czech national heritage enshrined in green marble

For anyone who likes Czech music the Narodni Divadlo is more than an opera house: it is a shrine. Built just over a century ago not with state funds but by popular subscription at a time when the Czech nation did not exist politically but was only an ideal, the National Theatre originated as a symbol; and the inscription over the proscenium, "Narod sobe" — The Nation to Itself — proclaims the Czech people's pride and determination. That determination was put to severe test in 1881 when, within a few weeks of its inauguration, the theatre was destroyed by fire, and the patient Czechs had to collect funds a second time, to rebuild the house, which reopened in 1883.

For its centennial, three years ago, the Narodni Divadlo was completely — but tactfully and lovingly — restored, and now the beloved hall gleams again with golden friezes and masks and warm red plush. The National's second house, the Smetana Theatre, had been restored a few years previously; and now the historic Tyl Theatre, where Mozart's Don Giovanni received its premiere, is encased by scaffolding for a complete overhaul: it will reopen in 1991, the bicentennial of Mozart's death.

The restoration of the Narodni Divadlo involved also some brand-new construction, the creation of a piazza to the theatre's right with an administration building, a bar and restaurant building (I ate a good post-opera supper there), and a new small house, the Nova Scena, divided between opera and drama.

Originally, the Nova Scena building was to have been a multi-purpose conference centre, but then it was decided to make a theatre, when the skeletal structure was already in place. The architects had to do some hasty recycling, and many Praguers are unhappy with the result. True, it does, at first glance, resemble a huge chunk of ice, but it does not contest the solid 19th century authority of the Narodni Divadlo next door. And inside, the Nova Scena building—all sheathed in glowing green marble (from Cuba, I was told)—is bright and festive. In a few years, when the Tyl Theatre's restoration is complete, the drama company will probably move there, and the Nova Scena can be used for opera alone, probably early opera, not requiring a large orchestra, and contemporary experimental works.

But the main places for repertory opera will remain the Smetana Theatre and the Narodni. In Prague, of course, "repertory" has a somewhat different meaning. While I was in the city, Faust, Carmen and Trovatore were being performed, but the two houses between them were giving almost the entire Smetana canon. Some Janacek, and works by Novak and Fibich; the national repertory, in other words.

The new production of Janacek's Katya Kabanova at the Smetana Theatre is designed by Josef Swoboda, and though the staging is signed by Karel Jernek, it is chiefly the master-artist who leaves his imprint on the production. At first sight, it resembles Swoboda's previous productions (in 1964 and 1974): lacy foliage projected over the stage, a stark interior, a sense of confinement. But then you realise that the drama is now being seen from a slightly shifted angle.

The river, which is almost a character in the story, is now dark, still, menacing, almost in black and white; and the leafy canopy, magic in the haunting love scene, can also turn grim. The interior of the Kabanov house is barren and cold, contrasting with the heat of the passions it contains. Unfortunately, the heavy baton of Frantisek Vajnar marred the work's effect, as did the often shrill singing of the Katya, Marta Cihelnikova (Gabriela Benackova had sung the opening performance). The rest of the cast was good, especially the veteran bass Dalibor Jedlicka, who sang Dikoj, and the pretty young Lydie Havlakova, the Varvara, virtually a debutante.

At the Narodni Divadlo it was possible to hear, within a few nights of each other, Smetana's first opera, Bramibori v Cechach (The Brandenburgers in Bohemia), and his last, Certova Stena (The Devil's Wall). Actually, since Smetana was almost 40 and already an established composer when he first turned his hand to opera, there is no dramatic difference in style between the earlier work and the later. Brandenburgers is more pageant-like, anticipating the heroic Dalibor, while The Devil's Wall is more complex and introverted. Conceived as a parody of romantic opera, with a devil out of Mayerbeer and a noble knight resembling Lohengrin, the opera emerged from Smetana's pen as a more serious, even bitter piece, reflecting the sadness and isolation of his last deaf years.

The conventional staging of Ladislav Stros and the guawky sets of the Vladimir Nyvlt did nothing to resolve the work's conflicting components. Zdenek Kosler conducted with insight, and the high spots—the lovely "Dobry Den" echo chorus, for example — made their point. Among the singers, the exciting young bass Pavel Horacek was a dark-voiced, glowering Rarach, the devil; while his real-life father, the distinguished, somewhat lighter bass, Jaroslav Horacek, was a persuasive Benes, the monk who acts as the devil's antagonist. Since the two characters are supposed to be indistinguishible, the actual family resemblance added spice to the staging. Jitka Sobehartova was a sweet Katsuka, and the rest of the cast was well-chosen.

The older Horacek and the veteran Jedicka were the outstanding members of the Brandenburgers cast, though the young and promising Drahomira shone in the small role of Drobkova Decana. Miroslav Kopp — who had been a persuasive Boris in Katya — was a likeable Junos, though he sounded a bit tired (and well he might; he was singing four roles in five days). Good singers—and, for that matter, less good ones—tend to be overworked in Prague. But you do not go to Prague to hear all-star casts; you go to hear music, and you can almost always count on the orchestral playing and the choral singing, and the glow that comes from artists performing works familiar to them, though to us unfamiliar, even exotic.

William Weaver

Platform performances/National Theatre

Michael Coveney

The National's Platform performances are given in the early evening in all three auditoria and have proved, over the past 10 years, a popular sideshow. Commuters can miss the rush-hour, theatregoers make an even fuller evening of it. Above all, the NT can refer back to the main repertoire. Thus, last Thursday evening I saw the first performance, on the *Threepenny Opera* set in the Olivier, of *Sung and Unsung*, a Brecht and Eisler programme devised by Dominic Muldowney; and, on Friday, on the *Futurists* set in the Cottesloe, the final performance of Irina Brown's *Marina Tsvetaeva, Poet and Outcast*.

Both were well worth seeing, both biographical illustrative exercises with little pretence to dramatic flair, both scenically reliant on that essential stand-by of all readings, poetry sessions and Platform performances, the bentwood chair. The Brecht cast, led most ably by David Calder and, from a greater distance, Robert Lockhart on the piano, read from folders. The Tsvetaeva trio acted as if in a play, which in a way they were, especially the remarkable Fiona Shaw as the willowy, restless poet who spent many years in exile and hanged herself in 1941.

Sung and Unsung, after *Threepenny Opera*, restores faith in the NT's qualifications for doing Brecht at all. It also offers a judicious selection of poems and songs covering Brecht's arrival in the asphalt cities, the years of Hitler's rise, of the poet's exile and of his rehabilitation after the War. "The Song of the Nazi Soldier's Wife" (from *Schweyk*) is the only familiar musical item. It is marvellous to hear Mr Calder and Joanna Foster giving oomph and satirical edge to "The Ballad of Regulation 218" (about the necessity of mothers producing fodder for cannon and factory), and Eve Adam letting rip in good, disrespectful Georgia Brown style on, among others, "Song of the Brothel Madame."

Eisler was a more cunning composer than Weill, but his songs, as Mr Muldowney demonstrates, are often just as melodically insidious and rhythmically interesting.

Irina Brown has a similarly didactic task in alerting us to the poetry and extraordinary life of Tsvetaeva, who knew most of the characters who appear in Dusty Hughes's *Futurists* (which completed a scandalously inadequate three-month stay in the NT repertoire on Saturday night) and wrote about them in *Craft*, her account of the cataclysmic events of 1921.

Miss Brown acknowledges Simon Karlinsky's definitive critical biography (published last year) but touches on almost too much and too lightly in a scheme that is bogged down, rather than liberated, by an alter ego figure (Judy Monahan) and a colourless Max Voloshin (Nicholas Le Prevost).

Still, the show is an informative, sensitive skim over the territory, and Fiona Shaw's haunted, hunted poet is unmistakeably representative of Tsvetaeva's genius.

Platforms can be despondent phenomena, rather reeking of cultural do-gooding and misfired aspiration. They do not lend themselves, it seems, to noisy outburst or high spirits. Going to them is often, I feel, like going to Evensong, or a Benediction service in high summer.

The most promising Platform project of late was Edward Petherbridge's ill-prepared Gordon Craig tribute. Perhaps when that is knocked into shape, the Platform slot will have reached a new standard. Meanwhile, the programme has received a sponsorship boost from British Rail's Network South East "Capitalcard" to the tune of £30,000 for one year, to be added to the £10,000 from ABSA's Business Incentive Scheme. *Sung and Unsung* is playing next on June 30.

Arts Guide

Music/Monday. Opera and Ballet/Tuesday. Theatre/Wednesday. Exhibitions/Thursday. A selective guide to all the Arts appears each Friday.

June 13-19

Opera and Ballet

LONDON

Royal Opera, Covent Garden: Eugene Onegin reverts to English for its latest revival, and a strong cast led by Ileana Cotrubas and Thomas Allen promises to grow in dramatic effectiveness as Colin Davis tightens his grip upon the score. The new production of A Midsummer Night's Dream comes at a few years remove from the Aldeburgh Festival (240 1066).

English National Opera, Coliseum: Die Fledermaus finally returns to its roost while Mary Stuart proceeds upon its accident-prone way, without Rosalind Plowright. The week is completed by two of ENO's most considerable achievements of recent years, the mysteriously compelling Mask of Orpheus and David Pountney's miraculous staging of Rusalka (836 3161).

PARIS

Wuppertal Tanztheater: Two works by Pina Bausch with her violence in deciphering human nature and tenderness in understanding it. Théâtre de la Ville (4274 2277).

Salammbo in Zoltan Peeko's orchestration and conducted by him in Naples' Teatro San Carlo production created by David Borovsky who chose to leave the opera unfinished. His decor of abstract mobile panels bathe the scene in an atmosphere of the unreal. Paris Opéra (4266 5022).

Die Zauberflöte in Marcel Bluwal's production tries to show the shaft of optimism shining through the complexity and contradictions of Mozart's work which combines philosophical depth with the Burlesque at the Opéra Comique (432 9606 11).

WEST GERMANY

Frankfurt, Opera: Fidelio has Lia Frey-Rabine as Leonora and William Cochran as Florestan. The week also features the world premiere of Hans Zender's Stephen Climax produced by Alfred Kirchner. Die Verkaufte Braut rounds off the week (2 56 21).

Cologne, Opera: Candrillon has Ann Murray excelling in the title role. Der Freischütz features Nadine Secunde, Marianne Hirsti and Thomas Thomaschke. Orfeo ed Euridice has Kathleen Kuhlmann in the part of Orfeo and Teresa Ringholz as Euridice. Also Zar and Zimmermann (2 07 61).

Stuttgart, Württembergisches Staatstheater: Otello stars Carmen Mammoser and Anthony Raffell. Falstaff has Karen Armstrong. Premiering this week is Der Liebestrank with Lucia Aliberti and Luis Lima. Also Idomeneo and Werther (2 03 21).

Berlin, Deutsche Oper: Fidelio, a Jean Pierre-Ponnelle production, has Lisbeth Balsley and René Kollo. La Gioconda with Maria Slatinaru, Livia Budai and Giorgio Lamberti. Madame Butterfly has fine interpretations by Yoko Nomura, Helga Wisniewska and Cornelia Murgu. Also Zar and Zimmermann and Die Zauberflötte (3 43 81).

ITALY

Florence, Teatro alla Pergola: Dance Theatre of Harlem (24 23 61).

Naples: Teatro San Carlo: Romeo and Juliet by Prokofiev danced by Carla Fracci and Georghe Iancu. Choreography by Roberto Fascilla (41 82 66).

Turin: Teatro Regio: Manon Lescaut by Puccini conducted by Angelo Campori and directed by Carlo Maestrini with scenery and costumes.

BRUSSELS

Cirque Royale: National Opera presents Boris Goudonov conducted by Michael Schönwandt (218 12 02).

NETHERLANDS

Amsterdam, Stadsschouwburg. Modern French dance from the Dominique Bagouet company of Montpellier (Tue, Wed), and the Maguy Marin company of Paris (Thur). (24 23 11).

Amsterdam, Mickery Theatre. Bartok/Aantekeningen choreographed by Anne Teresa de Keersmaeker of Brussels (Tue to Thur). (236 777).

Amsterdam, Carre. Wagner's Die Meistersinger from the Netherlands Opera and the English National Opera directed by Elijah Moshinsky and designed by Timothy O'Brien, with the Concertgebouw Orchestra conducted by Edo de Waart. Soloists William Johns, Kathryn Bouleyn, Jard van Nes, Norman Bailey (Tue). (235 225).

SPAIN

Barcelona, La Traviata rounds off spring opera season with Dennis O'Neill as Alfredo and Edita Gruberova as Violetta. Gran Teatre del Liceu, Sant Pau 1. (318 9277).

Madrid, Manuela Vargas and Co Premiere their successful El Sur y La Petenera in Madrid. Teatro Monumental. Atocha 65. (239 4014).

Granda, Petruzelli Theatre of Bari, Italy, will perform revival of Paisiello's The Barber of Seville, Palacio Carlos V. Also in Granada's International Festival, London Festival Ballet will perform Giselle with music by the the Karlowi Vary Orchestra. Generalife Gardens (Thur). (22 52 01).

VIENNA

Staatsoper: Die Zauberflöte conducted by Von Dohnanyi; La Bohème conducted by Mund with Tokody, Daniels, Aragall; Carmen conducted by Weikert with Baltsa, Borovska, Carreras, Diaz, Gyldenfeldt (53 24/26 55).

Volksoper: Die Fledermaus; Das Land des Lächelns; Hello Dolly; Madame Pompadour (53 24/26 57).

NEW YORK

New York City Ballet (New York State). Lincoln Center. (870 5570).

American Ballet Theatre (Opera House): Mikhail Baryshnikov brings his company to its two-month spring season with four new works choreographed by Kenneth MacMillan, John Taras, David Gordon and Karole Armitage, which join the repertory that includes The Nutcracker, Don Quixote, Giselle and La Bayadere. Ends July 5. (362 6000).

TOKYO

Alvin Ailey American Dance Theatre: Blue Suite, Cry For Bird with Love, Revelations (Wed); Night Creature, Treading Suite, Otis, Revelations (Thurs, matinee); Divining, Love Song, Speed, The Stack-Up (Thur, evening). Nakano Sun Plaza (237 9999; 980 6666).

Sponsorship/Antony Thorncroft

Terminal case for art

Slowly British business is starting to realise that it is the modern successor of the Medici as the patron of art and artists. While many companies still limit their purchases of paintings to sporting prints, or views of Old London, which are as unadventurous as they are worthless, a growing number of companies now decorate their offices with good contemporary art.

Perhaps the most adventurous commission of recent months has come from British Airways, which has enhanced the three lounges used by its more affluent customers at the new Terminal 4 at Heathrow with 37 works by leading British artists. Travellers, whiling away the waiting minutes, are now exposed to some exciting British art.

British Airways has invested £50,000 in the venture, but now has a valuable, varied, and appreciating collection. Among the artists included are Bridget Riley, Patrick Heron, John Walker, John Hoyland and Sean Scully. The aim was to go for cool, reflective paintings, abstract but unchallenging, which fitted into the modern decor of the lounges and to the unreal escapism of air travel.

The gallery Juda Rowan was given the task of assembling the collection which began with a list of the wanted artists and then negotiations with their galleries, which, in addition to Juda Rowan, included Fischer Fine Art, Nigel Greenwood and Waddingtons. The artists obviously liked the opportunity to display their works to an affluent international audience and prices were below market rates.

This was not a wild plunge by British Airways. It tested the market last year by displaying a painting, three drawings and five silkscreens in the executive lounge at Terminal 1 and researching travellers' response. Over 90 per cent liked the art. To play up the promotion of British art each work comes with information about the artist, and the main collections where they can be viewed again.

Saleroom

A large Yuan blue and white dish was bought by the Hong Kong dealer Robert Chang for £86,400 at Christie's yesterday, at the bottom of its forecast, in a Chinese ceramics sale which totalled £415,865, with 19 per cent unsold.

Dealers were active buyers—Stanley Herzman of New York paying £41,040 for a Ding Yao dish (well below estimate), Christian Deydier of Paris £32,400 for a gilt bronze figure of a Boddhisattiva, dated 512 AD and Chang again, £27,000, for a blue and white oviform jar.

A.T.

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Relief for Mr Kohl

"ONE IS enough" is the sentiment attributed to Winston Churchill on the subject of parliamentary majorities. By no stretch of the imagination is Helmut Kohl a Churchill, but the feelings of the West German Chancellor on the morrow of Sunday's vital state election in Lower Saxony must be identical. A swing of just 50,000 votes would have tilted the result the other way, and given the left, in the shape of the Social Democrats and Greens, control of the state assembly in Hanover.

In the event, though, Mr Ernst Albrecht, the outgoing Christian Democrat prime minister of Lower Saxony, will command a majority of a single seat; and at a stroke a bundle of nightmarish possibilities has been lifted from Mr Kohl's long suffering shoulders. The Bundesrat, or second house of parliament in Bonn, will remain in the hands of the government parties, denying the SPD the chance of impeding key legislation such as taxation and strike law reform. His own future as party leader, clouded by a well deserved reputation for clumsiness and lack of leadership, now looks impregnable, at least until after the federal elections, due next January 25.

State elections in West Germany, like by-elections in Britain, are now national, rather than local, political occasions. The message from Lower Saxony, however much obscured by discontent among farmers—who would normally vote CDU — and the fall-out from Chernobyl, is simple: that the centre right coalition in Bonn has been given a sharp mid-term rap across the knuckles by a bored, rather irritable, electorate; but that the much-touted risk of "red-green chaos" at the fulcrum of the European strategic balance in early 1987, remains a pretty remote possibility.

Secret disappointment

True, it may be argued that Sunday's outcome gives the SPD much to cheer; the party did, after all, raise its share of the vote by 6 per cent, and has been spared the embarrassment of having to negotiate with the Greens to form some kind of government in Lower Saxony. This would only have damaged the credibility of Mr Johannes Rau, Mr Kohl's Social Democrat opponent in seven months, who has vowed that whatever happens, he would have no truck with the Greens in Bonn.

Rarely can circumstances have been more favourable for the Greens: in fact, despite Chernobyl and the Government's feeble initial effort to cope with public anxiety, the Greens did scarcely better than in 1982. Perhaps the adroit appointment of an environment minister shortly before the poll had something to do with it, but West German voters have again demonstrated that they are not ones for plunging into the unknown.

Measured against the last general election in March 1983, Sunday's vote shows a 2.2 per cent drop in support for the CDU and its smaller Free Democrat (FDP) allies.

Had the vote been for the Bundestag it would have suggested that the present coalition would retain federal power, albeit with a smaller majority —exactly the result that is most widely expected in January.

Immediate priority

But Mr Kohl should not be lured into complacency. He has lamentably failed to capitalise on the political opportunities offered by his country's powerful economic performance. Too often he has reacted to events rather than try to shape them. Concern West German initiatives, rather than platitudinous speechifying, are conspicuous by their absence.

Bonn surely could give an international lead by adopting somewhat more expansionary macro-economic policies. The European Community is another area which would benefit from a more imaginative West German contribution, while at home the approach to deregulation has been over-cautious.

Lower Saxony was further proof that West Germans, as well as the country's foreign friends, feel that its weight in the world is not what it should be. The Chancellor's immediate priority is to knock his unruly coalition into order for January, and avoid expensive political own-goals. If economic prosperity—and the conviction that the SPD is not ready for power—offer him a second term, eWst Germans and West Europeans alike will expect *something more*.

EEC fisheries problems

EUROPE'S Common Fisheries Policy, agreed in its present form in early 1983 after arduous negotiations, may be sailing once again into troubled waters following the accession of Spain and Portugal to the EEC at the beginning of this year.

The arrival of the huge Spanish fleet, in particular, has increased EEC fishing capacity by 60 per cent. Events in the Bay of Biscay last week served as a hint of what that could mean.

An armada of between 250 and 300 Spanish fishing boats blockaded the port of Hendaye on the Franco-Spanish border for three days in a demonstration to demand greater access to a newly-designated French fishing zone. On Thursday it agreed to disperse in order to allow negotiations between Spain, France and the European Commission to resume.

That was an isolated incident, and need not on its own reopen the whole question of Spain's fishing rights in EEC waters under its treaty of accession. But at the very least it was an ugly reminder of the pressures and potential conflicts that the gradual integration of the world's sixth largest fishing power into the CFP could entail.

The entry of Spain and Portugal—which also has a big fishing fleet, albeit one made up largely of small boats—has aggravated what was already a serious problem with excess fishing capacity in the Community of Ten. Although there are strict limits over Spain's fishing rights in community waters for its first 10-years of membership, there remains a severe structural problem with which present policies seem unable to cope with.

The enlargement of the community is merely the latest in *a series of sea changes to affect* the EEC fisheries industry tighter regulation over the past 10-years.

Zone limits

The first was the establishment by many countries in the 1970s of 200-mile sovereign fishing zones around their coasts. This was partly designed to provide for control on the exploitation of fish stocks, following years of over-fishing.

The setting up of 200-mile limits in turn created an urgent need for *tighter regulation of* EEC fishing. An overwhelming proportion of EEC fish is caught in the north-east Atlantic, and the majority of the stocks there are shared between at least two nations. The fear was that unrestrained competition would do lasting damage to fish stocks—as happened with herring in the North Sea during the 1970s.

Fishing is unlike many other commodity industries in that it deals with a highly fragile and commonly-owned resource which can be swiftly depleted in the absence of controls — with disruptive consequences for the market and for the marine environment that can last for years.

Surplus supplies

The present CFP, settled in January 1983, represents an attempt to reconcile the competing interests of national fishing fleets within the overall discipline of a total catch quota.

It has addressed the fish conservation problem with a degree of success. In a report published earlier this month, the European Commission said it had found evidence of over-fishing in community waters and criticised the way in which member states were enforcing the CFP's conservation provisions. But it insists that the problem is not excessive, probably amounting to a tiny fraction of the total allowable catch fixed every year.

Where the policy has evidently been less successful is on the structural level. Like the Common Agricultural Policy, it contains mechanisms to prop up fish prices by withdrawing surplus supplies from the market—thus helping to maintain in business fishermen who would otherwise quit. As in farming, the CFP is trying to cope with social problems—which are serious in many fishing areas of the community—as well as ones of market regulation.

Although there has already been a significant rationalisation of EEC fishing fleets, it has clearly not gone far enough. Incentives to fishermen to pursue other activities have been inadequate; the potential for overfishing remains. Without a much greater emphasis on structural adjustment, it is hard to see how disputes like that which blew up between France and Spain last week can be avoided.

EUROPEAN SHIPBUILDING

A question now of survival

By Andrew Fisher

YEAR BY YEAR, as Europe's shipbuilding industry has grown more and more sickly, Governments have gritted their teeth, *paid heavily for the cost of care*, and encouarged yards to hold on in the hope of recovery.

The have poured in billions of dollars of subsidies, while the industry has seen its dominant market share eroded first by Japan, and then by South *Korea, and now by China and* Taiwan moving up close behind.

Now, with order books at less than a quarter of the mid-1970's peak, Governments are wondering whether it has all been worth while. And the EEC, which has attempted over a decade to play a central role in the restructuring of the industry, is groping its way towards a more penetrating and realistic policy.

Talks are now under way on how to curb aid, estimated at over $1bn a year in direct and indirect form, and on how to keep a closer eye on the varying subsidies and support from EEC mebers. The question now is not so much whether there is a policy capable of restructuring the industry, but whether ship-building in Europe can survive at all.

Nevertheless, the EEC says *its goal is more restructuring*, meaning cuts and closures combined with investment for surviving yards, but it realises that few will remain in the 1990s. Those that do are likely to concentrate on advanced products, such as offshore support, passenger, and scientific *ships, whose owners need to* keep in close contact with yards through design and building.

Yet Asian yards, especially in Japan, have been pushing hard here, too. So European yards, even where they have adapted to new methods, find the strain intense. The UK has announced more yard closures, while France may cut its high subsidies and shut yards.

But it was a non-EEC nation, Sweden, that took the harshest medicine by deciding early this year that its big, efficient Kockums yard would end merchant shipbuilding. In its heyday, it turned out a supertanker every 40 working days.

Even Japanese and Korean yards suffer in the industry's prolonged malaise. As more shipowners totter towards bankruptcy, having ordered too optimistically in recent years, banks are reluctant to finance new projects.

But while the Tokyo and Seoul governments are keen to distance themselves from an industry which is no longer flourishing—Japan plans more cuts in capacity, while Korea has checked its expansion—*those in Europe face a sterner task.*

At long last, they are resigning themselves to the fact that the industry can no longer be nursed back to real health. It will decline inevitably into old age and a non-too graceful expiry, or a small, modernised core will survive, with the decaying parts removed.

Either way, more tough decisions will have to be taken. The severity of yard and job cuts has varied from country to country. But the industry is already a shadow of its former self, with shipbuilding jobs in western Europe down by more *than half in the past 10 years* from around 280,000 to 130,000.

Even this scale of reduction has proved too small. Overcapacity in world shipbuilding is nearly 40 per cent,

The danger is that the industry could be restructured out of existence. For despite investments by yards in new production equipment, such as computers for design and manufacturing work, lack of orders still makes them vulnerable.

"No one can escape unscathed from this," says Mr John Parker, chairman of the *Harland and Wolff yard in Bel*fast, which recently won a naval order to fill out its workload. Like others in Europe, it has found the gap of 30 per cent or more with Asian prices hard to bridge, even with subsidies. Japan, though, now finds its advantage largely removed by the yen's strength.

"There will have to be significantly more restructuring done on global terms," adds Mr Parker. At Harland and Wolff, an important part of the Ulster economy, the payroll of around 5,000 is half that of the mid-1970s.

Mr Paul Palsson, executive vice-president of Kockums, comments: "I'm quite certain more yards will close. It will take four or five years before there is balance in the market again." Despite high productivity, Kockums found the cost of competing too high, though it will still build naval vessels.

As the industry in Europe tries to come to terms with its diminishing role, this year has seen significant government and yard actions, in and outside the EEC:

● Finland. Long immune from the crisis through specialisation and large Soviet orders, yards now find life tougher. Hence the deal at the end of May between Wartsila and Valmet to merge their shipyards into a new company.

Wartsila, a quoted company, will hold 70 per cent of the new operation and state-owned Valmet the rest. *Stiff competition for the specialised vessels* such as luxury cruise ships and ice-breakers built by the Finns has combined with the effect of low oil prices on the Soviet economy to jolt Finnish yards severely.

They are confident, however, that Russia will continue ordering crane-ships, dredgers, cable-layers, ice-breakers and other vessels, though pressure to cut prices has increased and decisions take longer.

● Britain. Though foreshadowed, the recent news that 3,500 more jobs would go by next March unleashed a storm of political fury on a Conservative government that has pumped in more than £1.4bn since 1979.

State-owned British Shipbuilders has cut jobs and capacity heavily since nationalisation in 1977. A year ago, it seemed to be recovering. A *strong productivity drive, aimed* at matching efficiency with the best yards in northern Europe, like Sweden, Finland and Germany, brought in valuable new orders.

But follow-up business has been virtually non-existent in the dismal shipbuilding climate. In the last financial year, it won only a tenth of its order target. So BS will close two yards and one of its two engine plants.

Thus BS, with over 35,000 people in merchant building in 1977, will have under 5,000 just ten years later. It will have six *yards against 28. While its past* dominance in the industry faded years ago, the news still came as a shock to those affected.

● France. Early this month, the French government paved the way for cuts in its high subsidies, long criticised by other EEC and European countries. Mr Alain Madelin, Industry Minister, said there was only enough work for one of the five yards.

Thus the financial support sought by Chantiers du Nord at de la Mediterrannee (Normed) could well be refused, though *local political opposition* will be high. Its Dunkirk yard in the north is seen as the most vulnerable, with a tiny workload.

Like Italy, France has done less restructuring than other EEC members. Its subsidies to the industry will cost FFr 3.5bn ($525m) this year. Spain, a new member of the community, also has a large shipbuilding industry and its belated attempts to cut back have met with furious opposition.

This is the climate in which Brussels is attempting to give its shipbuilding policies a sharper focus. A meeting of industry ministers earlier this month resolved to tighten up subsidies and to shed more light on the shipbuilding aid policies of member governments.

"Most countries share the Commission's analysis that there is not much future, except for *certain specialised vessels*," said one official connected with the industry. "The crisis is not going to go away."

In the past, the Commission and governments have tended to think it might, or that it would become less fierce. Subsidies have been paid to close the cost gap with the Far East. For basic types of vessel like tankers, bulk carriers and container ships, Asian yards are much cheaper than Europe.

With hindsight, it is clear European yards should have accepted earlier that their huge cranes and large docks, installed to build *big tankers*, were mostly unsuited to the more modest world market that succeeded the swollen order books of the early 1970s.

Their confusion affected governments, aware of the need to slim the industry down, but unsure by how much or how quickly. In the EEC, restructuring was halting and uneven, subsidies were granted in different ways by different countries, and there was no clear view on whether the industry could be revived or what ships it should build.

Under the EEC's Fifth Directive on industry, which runs out at the end of 1986 after two extensions, subsidies have been linked to cuts in capacity.

Often, aid by one country to a yard has stifled the prospects of yards elsewhere. The German industry complains about the aid policies of the French, as do the Swedes and Finns, all of whom have lost freight or cruise ship orders to yards in France.

In Finland, without subsidies but cushioned by Soviet orders, feelings run high over aid by EEC members. "It is really vital for European shipbuilding that subsidies are taken off," says Mr Matti Kankaanpaa, president of Valmet.

"People come to depend on subsidies and do not develop their industry or technology. *Subsidies have to go out.*"

The Finnish experience shows, however, that even a high level of specialisation is not enough in the present state of the industry. Thus it is highly unlikely that the rest of Europe will be able to phase out subsidies for some time.

In spite of this, yards in western Europe have 23 per cent of the world market (the EEC industry's share is 14 per cent) as measured by order books in the first quarter, against 36 per cent for Japan, and 17 per cent for Korea.

Ominously for both the dominant Far Eastern nations and the Europeans, China and Taiwan had nearly 10 per cent between them. China, with its big domestic market to fall back on and its aim of winning new business at low prices, is seen as a major threat.

China's drive to build up its fleet, especially on the container side, has also brought benefits to European yards, however. The Seebeckwerft yard of AG Weser, which closed its big Bremen site over two years ago, is finishing a vessel for the Chinese.

Though among the most *efficient in Europe, German yards* have had a traumatic time in the 1980s. The closure of Weser's Bremen yard resulted in the loss of 2,000 jobs, while the whole industry lost 13,000 jobs between 1982 and 1985.

This cut the workforce by around half, and more surgery is likely. For the next three or four years, says Mr Jurg Dieter Studer, a sales manager at Howaldtswerke-Deutsche Werft (HDW) in Kiel, "European yards will have problems.

"It will perhaps be a question of political decisions, whether yards can survive," he feels. The Kiel yard, employing nearly 5,000, has work into next year and its huge dock, empty two years ago, is busy. But like Seebeckwerft, with some 2,000 people in Bremerhaven, it will need new orders soon.

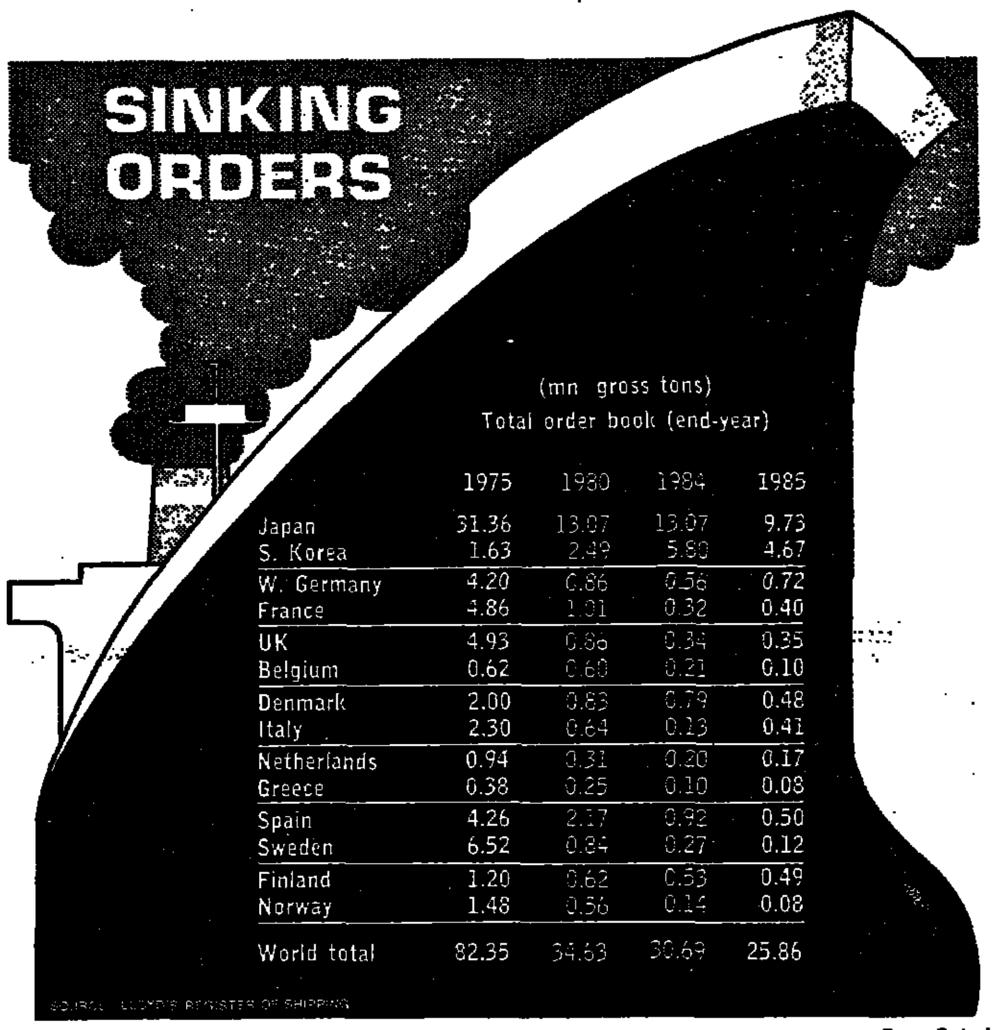
Both yards complain about internal EEC competition to win the few orders around, something the EEC aims to avoid or at least monitor more closely with the policies it is preparing. "Germany is always losing orders to other European countries," says Mr Studer.

Echoing this, Mr Helmuth Stoterau, deputy sales manager at Seebeckwerft, complains "people are fighting each other in Europe and this is detrimental." However, while Germany provides little direct yard aid, help is available to domestic owners or those from *developing* countries ordering in Germany.

Unravelling the subsidy tangle will be a considerable task. However well the EEC approach works, neither yards nor governments will get much help from the market. "Yards all over the world have a problem today," says Mr Palsson of Kockums.

One solution is the straightforward approach of Sweden in pulling Kockums out of merchant construction altogether. Other countries, unwilling to be so brutal, will have to decide whether the game is still worth the costly sums they have been pouring into the industry.

The survival is in doubt even of yards which have fought through the chaos of collapsing order as the chronic surplus in world shipping persists. The fate of Kockums makes this clear. While the EEC can try to regularise and curb governments' largesse, strategies aimed at more specialisation and productivity can still founder on lack of business.



(mn gross tons)
Total order book (end-year)

	1975	1980	1984	1985
Japan	31.36	13.07	13.07	9.73
S. Korea	1.63	2.49	5.80	4.67
W. Germany	4.20	0.86	0.56	0.72
France	4.86	1.01	0.32	0.40
UK	4.93	0.86	0.34	0.35
Belgium	0.62	0.60	0.21	0.10
Denmark	2.00	0.83	0.79	0.48
Italy	2.30	0.64	0.13	0.41
Netherlands	0.94	0.31	0.20	0.17
Greece	0.38	0.25	0.10	0.08
Spain	4.26	2.17	0.92	0.50
Sweden	6.52	0.84	0.27	0.12
Finland	1.20	0.62	0.53	0.49
Norway	1.48	0.56	0.14	0.08
World total	82.35	34.63	30.69	25.86

Source: Lloyd's Register of Shipping

Brana Radovic

Men and Matters

Breakaway day in Buxton

Absences from the inaugural conference in the pleasant *Derbyshire spa town of Buxton* of the breakaway Union of Democratic Mineworkers were numerous and notable—including Neil Kinnock (invited but refused to attend), Lord Marshall of the Central Electricity Generating Board (same), Roy Lynk (ill) and David Prendergast (abroad) of the UDM, and Arthur Scargill's flying pickets (none of them, clearly, readers of one daily newspaper which promised their arrival in large numbers).

But perhaps the most significant absence was that of Eric Hammond, general secretary of EETPU, the electricians' union.

When the EETPU and the UDM held a conference on energy policy together at the end of last year, Hammond said it was important for the new union to know it had friends inside the TUC.

Though UDM president Ken Toon mentioned both the electricians and the engineering workers from the conference platform, UDM leaders were explaining Hammond's absence by saying he had never been invited.

Unfortunately for this idea, the UDM executive minutes tell a different story. Those for a meeting in Mansfield on January 29 1986 state, under the heading "Annual Conference," Minute 3(E): The *following be invited to the conference*: Mr E. Hammond, secretary of the EETPU."

"Daren't be seen drinking South African sherry, Russian Vodka, Chilean wine, Cuban rum, Japanese whisky..."

Round numbers

The Public Finance Foundation has formed a "shadow" team to take on the Cabinet at its own manoeuvres in the arcane war games over next year's public spending levels.

As ministers contend with the Treasury and each other for more resources, their Foundation counterparts will be going through a parallel exercise, ending up, like them, in a Star Chamber to settle the final differences.

Michael Posner *is taking the* role of the Chancellor of the Exchequer. He was a contemporary of Nigel Lawson at Oxford and has been an economic adviser and consultant to the Treasury and to the IMF. He is currently economic director of the National Economic Development Office—not one of Lawson's favourite institutions.

Prof. George Jones, professor of government at the London School of Economics, is enthusiastically researching his case, like Environment Secretary, Nicholas Ridley, for additional local authority spending. "We shall certainly need a Star Chamber and I fear I shall certainly have to appear before it," he says, gloomily and precisely echoing Ridley's view.

Home Secretary, Douglas Hurd's demands for more money for law and order are being simulated by Prof Nick Deakin, professor of social policy and administration at Birmingham University. His early career as a Home Office civil servant should have taught Deakin the tricks of this particular trade.

Reports from both the Treasury and the PFF suggest that both versions of the public spending round are already becoming tense and a good *deal of muscular argument is* envisaged.

The Prime Minister usually gets involved as the going gets rough in Whitehall but the PFF does not appear to have found anyone for that part yet.

Hot seat

Hugh Jenkins sat in his new office at Allied Dunbar yesterday, his first working day back in Britain after 18 months in the US in charge of Heron's US financial services division. Now he joins Mark Weinberg's organisation as group investments director with about £4.5bn to play around with.

Jenkins, 52, and known in the City as a pension fund's wizard (he managed the National Coal Board pension funds before going to Heron) talked about his pleasure at being back in Britain.

"Of course I've enjoyed the opportunity to work for Heron in America, but it's marvellous being back here. I've come back to what looks like a lovely summer with a lot of experience that will help me as we cope with the Big Bang."

But what was the priority now he is back in Britain? Wimbledon? The Test matches? "No," *he said,* "*the main thing* is house hunting and it is just about the worst time of the year. When I went away I was persuaded to sell my flat in Buckingham Gate and since then it's just about doubled in value." Well, you can't win them all.

Bloomers

As novelist and Joycean scholar Anthony Burgess says: "Re-Joyce." James Joyce's Ulysses, one of the most controversial novels of the 20th century, goes to a new edition which corrects some of the printer's errors which had made *it* even more confusing.

The new version, hardbacked and paperbacked by Bodley Head and Penguin, came out yesterday, June 16 — the single day in 1904 in which all the action of Ulysses took place in Dublin. It seems that the French printers who set up the type for the first edition in Paris in 1922 made a lot of mistakes as *a result of language* problems.

With the aid of computers, West German philosophy professor Hans-Walter Gabler and a team of experts have corrected words and phrases whose previous obscurity provoked 65 years of intense intellectual discussion. "The paper the beard was wrapped in," for example, was simply a misprint for "the paper the bread was wrapped in." Well now, forward to Finnegan's Wake.

Observer

Letters to the Editor

Africa's case for help

From Mr H. D. Shutt

Sir,—Your editorial on aid for Africa (June 2) refers to the difficulty many African countries may have in absorbing aid on the scale made necessary by their hard currency resource gap. You state that an important reason for this is the inadequacy of the administrative machinery in most countries to cope with disbursement. Yet while such bureaucratic shortcomings are a real problem, those of us who have been involved in studying how best such aid funds could be spent often find that the single most severe constraint on absorptive capacity is the lack of viable projects. This problem stems from a fundamental flaw in the whole approach to aid for the Third World which seems set to be perpetuated in the proposed UN-sponsored African Development Programme.

That flaw is to regard aid as justifiable only in so far as it brings benefits to the donor countries or agencies in the shape of political kudos and increased exports and employment for their own economies. This inevitably reduces aid to a numbers game in which success is measured in terms of the aggregate sums disbursed, almost regardless of their impact on development (assuming that can be measured at all). It frequently results in the grotesque spectacle of aid agencies competing with each other to fund projects of doubtful viability.

This tendency is exacerbated by companies in the industrialised countries seeking to promote exports and banks wishing to maximise lending at high rates of interest. It inevitably leads to a bias in favour of capital-intensive projects which generate a foreign debt burden that the recipient country would not be able to service even if the project itself were intrinsically viable. This process would be impossible without the active connivance of recipient governments. The almost routine payment of a percentage of each project's total cost to senior officials — a practice to which donors, in their anxiety to disburse money, are ready to turn a blind eye — assures this.

The international community is now proposing to remedy the situation with more of the same (egged on, sadly, by Sport Aid and other well-meaning charities who also seem obsessed with sheer volume of money transferred). It is true that there is a growing awareness at the World Bank of the need to concentrate funds on projects and sectors which will not continue to depend significantly on imports of raw materials or spare parts, or else can generate (through exports) enough foreign exchange to meet their own needs. However, the number of such projects is pitifully small in relation to the scale of external payments imbalances.

The first prerequisite for a more realistic approach is an explicit recognition (already tacitly given by the World Bank) that there is no prospect of sub-Saharan Africa servicing its existing foreign debts. These must be largely written off, with banks as well as western governments shouldering a share of the burden which they have played such a major part in creating. When this has been done fresh aid should be advanced only in line with recipients' capacity both to absorb it and generate the foreign exchange required to assure each project's long-term viability.

The short-term political and economic attractions of this approach may appear slight to the industrialised countries. Yet, if the objective is to give some hope for the long-term deliverance of Africa from its cycle of debt and dependence, such a change of direction is imperative.

Harry Shutt,
The Grange,
Hillside,
Horsham, Sussex.

A windfall to ease growth

From the Group Economist, Sun Life Assurance

Sir, — Talk of a Titanic liquidity iceberg (M3) melting and threatening the course of the UK economy is surely overstated and misleading. It is certainly true that a large reservoir of purchasing power is stored up in bank accounts (even after allowance is made for distortions caused by high interest deposits and other structural factors). However, much of this represents the unspent windfall flowing from lower commodity prices and is thus the very liquidity which will facilitate the upturn in growth expected by every forecaster. If sterling should slip as a result, then so be it. There is nothing the Government can do with monetary policy to avoid such an outcome without compounding distortions and building up a bigger hiccup later.

The high interest rate/strong sterling policy introduced in 1985 was always high risk. The risk was that real earnings growth would accelerate with lower import prices, pushing sterling so far off its competitive course that full adjustment by wage moderation would become impossible. The money/demand linkage behind such earnings growth is lagging, not leading. It is inconceivable that we somehow have a lax, inflation-generating monetary policy when interest rates are 5 per cent above the core inflation rate and government deficits are not being monetised (once the primarily cosmetic effect of reverse overfunding is ignored).

Interest rates are probably too high for the health of the real economy and sterling too strong. Investment will not provide the capacity for an acceptable rate of economic growth in the future under these conditions. The Government should consider partially relaxing its present strategy and hope earnings growth decelerates later this year to reflect fortuitously low retail price inflation figures. If this does not happen, it will not be proof of erroneous monetary policy, but rather a pointer to the failings of our system at the micro level in the operations of management and the workings of the labour market.

Graham Cox,
107 Cheapside, EC2.

How the dollar has fallen

From Mr G. E. J. Dennis

Sir,—Samuel Brittan (Lombard, June 9) has added to the now topical debate of the extent of the dollar's depreciation since its February 1985 peak. In the March issue of James Capel's International Bond & Currency Review we drew attention to the absence of any dollar depreciation in the last 16 months if the conventional dollar effective indices are broadened to include (according to their weights in US trade) the currencies of certain developing countries. The OECD in its latest Economic Outlook has also added its own assessment of this issue.

While Mr Brittan is correct to quote inflation-adjusted real exchange rates—not just nominal rates as our initial work had done—his conclusion that the scapegoat of no dollar depreciation has been slain may be challenged. The real concern in the US is competition from Asian experts. It is feared that, should Japanese goods finally be priced out of US markets, all that will happen is a switch of sourcing to other Asian countries. This is a real danger as the following data show. From February 1985 to April 1986, the dollar rose by an average of 2 per cent against a group of Asian currencies. With inflation in these countries averaging 3.1 per cent over this period, only a little higher than that of 2.4 per cent in the US, the dollar rose in real terms by 1.3 per cent.

Feb 1985-Apr 1986	% Dollar Appreciation (+)	Consumer Price Inflation (%)	% Real Dollar Appreciation (+)
Hong Kong	—1.1	3.6	—2.3
India	—4.1	8.2	—9.9
Korea	+5.8	2.6	+5.6
Malaysia	+1.8	1.4	+2.8
Philippines	+12.3	3.8	+10.9
Singapore	—3.0	—0.9	+0.3

Asian exports (excluding Japan) are now on average more competitive in the US than they were in February 1985 despite the dollar's collapse. With respect to the highly aggressive exporters of Asia, the scapegoat is in truth, very much alive.

Geoffrey Dennis
International Economist, James Capel,
6, Bevis Marks, EC3.

Pension funding myths

From Mr P. Bennett

Sir,—Mr McShee (May 30) in his valid and otherwise comprehensive exposure of pension funding myths overlooks one key issue, namely by what tangible criteria can all interested parties agree that the "balance of cost" has turned out to be less (or, in different circumstances, more) than expected assuming, of course, that the "balance cost" concept is retained by schemes.

There will continue to be confusion over what belongs to whom until one of two things happens in the UK.

The first is that the "balance cost" structure of pension schemes is amended, so that trust deeds stipulate that all the assets belong to the members. It is, of course, unlikely that employers would agree to such a change without some compensating amendment. There might for example be a provision requiring that — if an actuarial valuation shows that the company's contribution rate is inadequate — then the members would have to accept an increase in their contributions, or a reduction in benefits (or both).

The second scenario would be one in which the "balance cost" concept is retained, but an appropriate funding objective agreed (and fully communicated to members). In its simplest form, the funding objective would require that the employer aim to maintain sufficient pension assets to cover an agreed measure of the "actuarial liability" for past service benefits. Any surplus of assets over the agreed measure would then represent "advance" employer funding, and any shortfall would need to be corrected by extra employer contributions.

Peter L. Bennett,
Hewitt Associates,
3 The Old School House,
George Street,
Hemel Hempstead, Herts

The effects of lower oil prices

From the chief UK Economist, Credit Suisse First Boston

Sir, — Are the worldwide gains from lower oil prices really as limited as Lex (June 9) and many others believe? Apparently there is a fragile and probably temporary fall in inflation; a shift of income away from Opec that does little more than redistribute spending power; and a limited improvement in the trade-off between inflation and output, which allows some fall in interest worldwide.

These are all influences on *demand*, and there is good reason to be cautious about their size and duration. However, there is also a substantial and pemanent imporvement on the supply side. Productive potential is an economic, not a physical concept. The volume of goods that can profitably be produced from a given stock of capital depends on the relative prices of the inputs. Cut the price of energy and of raw materials (commodity prices have fallen too) and producers will find it economic to employ more labour and raise output even with the existing stock of fixed capital.

Is this wishful thinking? The model builders at the Treasury, London Business School and City University have all found signficant quantitative evidence of such effects. But we will not know for sure until companies with under-used or mothballed plant have become convinced that lower energy and materials costs are set to last for some while.

G. B. Keating,
22 Bishopsgate, EC2.

Britain must keep its merchant shipbuilding industry

From Mr A. Ross Belch.

Not yet back from the brink

From Mr C. Barnett.

The strategic argument

From the Secretary, Boilermakers' Section, GMBU

TOKYO'S STOCK EXCHANGE

Foreigners sing a new song

By Carla Rapoport in Tokyo

FINANCIAL TIMES

Tuesday June 17 1986

THREE US FARM EXPORTS MAY BE TARGETS FOR HIGHER TARIFFS

EEC plans trade retaliation

BY QUENTIN PEEL IN LUXEMBOURG

THE European Community yesterday confirmed three key US farm exports as the targets for retaliatory action if Washington goes ahead with unilateral trade restrictions on July 1.

The US action has been threatened because of the loss of grain sales of sorghum and maize following Spain's entry to the EEC last January. That resulted in Community levies on Spanish imports and has effectively closed the market to US exporters.

The 12 EEC foreign ministers agreed that wheat, rice and corn gluten feed – US sales of which totalled more than $1bn in the EEC last year – would be subjected to increased tariffs if the US insisted on imposing unilateral levies on Community exports from that date.

At the same time, the ministers made a conciliatory gesture by delaying any final retaliation by a maximum of two weeks after any US move, apparently to allow for negotiations to avert the looming trade conflict.

The Community insists that the whole dispute be resolved in the General Agreement on Tariffs and Trade (Gatt), where negotiations at official level have been under way for the past two weeks, without any sign of real progress.

Yesterday's EEC decision reconciled the conflicting positions of West Germany and France – the former wanting no immediate commitment to retaliation on specific products, the latter insisting that it be immediate and automatic.

The compromise was to name the products affected – all very sensitive for US farm exporters – but leave any final decision up to a full Council of Ministers' meeting to be called within two weeks of US action.

The actual level of any tariff barriers would be dictated by the threatened US measures, officials say. Washington has said it will take action against products such as wine, spirits – such as brandy and gin – cheese and sausages.

The action is intended to be seen as both firm and conciliatory, Mr Willy De Clercq, the Commissioner responsible for external trade, said.

Sir Geoffrey Howe, the British Foreign Secretary, urged the US Government to defer its threatened measures from July 1. He said competition between the two major trading powers for markets was inevitable.

"The task on both sides of the Atlantic is to manage that competition in a way that it will not degenerate into open trade warfare," he said.

The problem between the sides is that the US believes it is entitled to compensation for the loss of its agricultural market in Spain alone, whereas the EEC says that any final compensation must take into account possible tariff advantages gained in the same market for industrial sales.

US capital spending faces new squeeze

BY WILLIAM HALL IN NEW YORK

THERE WAS further evidence yesterday that the US economy is not growing as quickly as had been hoped.

The Conference Board, a research organisation funded by US industry, said that US manufacturers were continuing to cut their capital spending plans and Federal Reserve Board figures showed that factory utilisation dropped last month.

The 1,000 largest manufacturers in the US expect to increase their capital spending by only 1 per cent in 1986, the Conference Board said. Earlier this year, the largest companies were projecting an 8 per cent rise in their capital spending.

The Fed reported, meanwhile, that US factories, utilities and mines operated at a seasonally adjusted 78.6 per cent of capacity in May, against a revised 79.2 per cent in April and 79 per cent in March.

The latest figures, which follow Friday's announcement that US industrial production fell by a surprisingly large 0.6 per cent last month, illustrate the sluggish pace of the current US economic expansion and are likely to increase speculation that the authorities may be forced to ease their monetary stance to boost the flagging economy.

The Conference Board blamed the dip in capital spending on cuts in the petroleum industry, which has been badly hit by the collapse in world oil prices. It said that spending plans of large manufacturers outside the petroleum sector had held steady. The largest manufacturers expect to spend $101bn in 1986 against $100bn last year.

"The sharp reduction in planned outlays by the petroleum industry has not yet been offset by planned increases in other manufacturing industries," said Mr Douglas Cliggott, a Conference Board economist. "Manufacturers outside the petroleum sector now anticipate a 6 per cent increase in their capital spending during 1986, roughly the same figure they were projecting three months ago."

While the decline in oil prices is temporarily stifling US capital spending, Mr Cliggott says a continuation of relatively low oil prices should stimulate consumer spending and that in turn should lift future capital spending.

The Fed figures showed that capacity utilisation in non-durable goods industries slipped by 0.1 per cent to 83.5 per cent. Capacity utilisation in the durable goods industries fell by 0.9 points to 75.7 per cent. The operating rate for the motor vehicle and parts industry fell to an adjusted 78.7 per cent last month from an adjusted 82.1 per cent in the previous month.

US court fails to rule on budget bill clause

BY STEWART FLEMING IN WASHINGTON

THE US Supreme Court failed yesterday to rule on the constitutionality of a key provision of the Gramm-Rudman-Hollings Budget Bill, which calls for the elimination of the US budget deficit by 1991, despite expectations that a decision would be announced.

The court was expected to find unconstitutional the procedure under which the Comptroller-General decides on the basis of estimates by the Congressional Budget Office and the Office of Management and Budget, whether automatic spending cuts are needed to meet the budget deficit target laid down by the legislation.

On Sunday, ABC News had reported that the court would issue its ruling yesterday, and that it would by a seven to two margin declare the Comptroller-General's role as unconstitutional.

In the event, however, the court released only two decisions, rather than the three it had previously announced would be forthcoming, prompting speculation that the court had decided to postpone the ruling on the budget law because of the leak. The court is one of the few institutions in Washington with a reputation for guarding its secrets well, and few in Washington could remember the last time a court decision had leaked.

Expectations that the court would declare the provision unconstitutional have been widespread.

The architects of the Budget Reform Bill, which became law in December last year, provided a fall-back mechanism to cover the possibility of the automatic spending cut process being declared unconstitutional. That calls for, first, the House and Senate budget committees and then the two chambers of the legislature to vote to implement the automatic spending cuts if they are needed to meet the deficit target which for 1987, the next fiscal year, is $144bn.

There are serious doubts, however, about whether that fallback process will work.

Congress has tried to avoid resorting to the fallback by drawing up a budget which, like President Ronald Reagan's budget plan, meets the Gramm-Rudman-Hollings target.

So far, however, Congress has been unable to agree on a budget resolution, largely because of differences over defence spending levels and because of White House opposition to a budget compromise that would include significant tax increases to help to close the budget gap.

Millions boycott work in S. Africa protest

Continued from Page 1

By last night, the Government appeared to have effectively prevented most, if not all, non-church meetings to commemorate Une 16. Such meetings were banned two weeks ago. The Dputy Information Minister claimed last night that what he called "the low level of incidents" had proved that the state of emergency was a success. "It is clear that the ANC [African National Congress] failed to launch the people's war today as the planned."

Large numbers had stayed away from work because they had been intimidated, he said describing the state of emergency as "a demonstration of power, but power for peace."

Opposition MPs had a different view of the emergency. Mr Ray Swart of the PFP told Parliament yesterday that there was now probably less freedom in South Africa than in the Soviet Union. "For the vast majority of South Africans, what President P. W. Botha had, in his speech last Friday, implied would be the consequences of a Communist takeover were already a reality in this country, but in the name of the National Party Government,"ö Mr Swart said.

He was speaking in the continuing debate on amendments to the internal security laws. Those are now expected to be forced through by presidential decree after the Government's failure to arrive at an agreed compromise with the coloured and Indian houses of parliament. Failure to push through the proposed amendments was a principal factor behind the Government's decision to reintroduce a state of emergency.

Mr Colin Eglin, leader of the PFP, told a party rally that the best emergency action for South Africa would be for President Botha to sack half his cabinet and replace it by "people of sensitivity, management skill and vision for the future." He intended to call on the Government to declare June 16 a national holiday and day of national reconciliation.

In an ironic twist to the long-running struggle of Mrs Winnie Mandela, wife of the jailed ANC leader Mr Nelson Mandela, to stay in her Soweto home Brigadier Gideon Laubscher, the divisional police chief in Soweto last night ordered her under the emergency regulations to stay at home between 6pm and 8am until June 20 and not to grant any interviews to any journalist or network during that time.

The ban came shortly before she was due to be interviewed live by Mr Dan Rather, news anchorman of the CBS TV network.

McDonnell Douglas in Argentine venture talks

BY TIM COONE IN BUENOS AIRES

A NEW production line for the A4 Skyhawk, one of the world's most widely used light jet fighter and ground-attack aircraft, is being negotiated by McDonnell Douglas of the US and Fábrica Militar de Aviones (FMA), the Argentine aircraft company.

Mr Patricio Siedel, the McDonnell Douglas representative in Buenos Aires, said negotiations were advanced. A "memorandum of understanding" was signed at the beginning of this month by both companies to negotiate the manufacture of the A4 in Argentina as a long-term joint venture.

The memorandum also took in the joint production of the Hughes 500 helicopter, spare parts for the A4 Skyhawk, ejector seats, and risk-sharing co-operation in the development of commercial aircraft.

Almost 3,000 A4 Skyhawks were produced in the US between 1953 and 1980, when the production line closed down. The aircraft, which is in service throughout the world, has had its avionics and weapons systems up-dated.

Argentina received 91 A4B and A4C Skyhawks between 1965 and 1975. They were used extensively in the 1982 war in the Falkland Islands.

Mr Siedel said "there is continuing demand for the aircraft and Argentina has a great deal of experience with it." He added that FMA was "the best-equipped aircraft factory in South America and [had] state-of-the-art technology." Low labour costs and considerable spare capacity also made the project attractive for both companies.

He said: "We are talking about a joint venture and not just the sale of parts or kits. There will be an *important transfer of technology* which will enable Argentina to break into the world market."

Finalisation of the deal will depend on approval by the US State Department and further market studies, but it is not expected to encounter serious obstacles. The deal would also boost the Government of President Raúl Alfonsín, which is seeking to develop high-technology industries with a strong export bias.

FMA has undergone a shake-up since the end of last year. Civilian managers have been placed in its former military administration to turn it into an efficient and self-financing company to manufacture defence and civilian equipment for the domestic and export markets.

Co-production of a Brazilian turboprop business jet with Embraer of Brazil is to begin next month and the fourth prototype of Argentina's first jet trainer aircraft, the IA 63, is to fly shortly. The IA 63 has been developed with assistance from Dornier of West Germany.

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	F	22	72	Dubrovnik	S	26	79	Malta	S	29	84	Rhodes	S	27	81
Algiers	S	25	77	Edinburgh	S	14	57	Manchester	S	25	77	Rio de J'o	S	33	91
Amsterdam	S	27	81	Faro	C	21	70	Manila	–	—	—	Rome	S	23	73
Athens	S	32	90	Florence	F	27	81	Melbourne	S	15	59	Salzburg	S	27	81
Bahrain	S	35	95	Frankfurt	S	30	86	Mexico City	S	24	75	San Francisco	C	20	68
Bangkok	S	35	95	Funchal	C	20	68	Miami	C	29	84	Seoul	R	20	68
Barcelona	F	21	70	Geneva	S	25	77	Milan	F	24	75	Singapore	T	28	82
Beirut	–	—	—	Gibraltar	S	22	72	Montreal	–	—	—	Stockholm	S	24	75
Belfast	C	16	61	Glasgow	S	21	70	Moscow	C	16	61	Strasbourg	S	28	82
Belgrade	S	29	84	Guernsey	S	24	75	Munich	S	27	81	Sydney	F	18	64
Berlin	S	27	81	Helsinki	S	22	72	Nairobi	C	22	72	Taipei	S	34	93
Biarritz	S	27	81	H Kong	F	31	88	Naples	S	27	81	Tangier	C	21	70
Bombay	C	30	86	Innsbruck	F	25	77	Nassau	C	29	84	Tel Aviv	S	28	82
Bordeaux	S	28	82	Inverness	S	20	68	New Delhi	S	37	99	Tenerife	–	—	—
Brussels	S	27	81	Islamabad	S	38	100	New York	S	30	86	Tokyo	C	25	77
Budapest	S	28	82	Istanbul	S	30	86	Nice	F	22	72	Toronto	–	—	—
B. Aires	F	16	61	Jakarta	R	32	90	Nicosia	S	35	95	Tunis	S	28	82
Cairo	S	36	97	Jersey	S	27	81	Oporto	C	17	63	Valencia	S	24	75
Cape Town	C	17	63	Jo'burg	S	15	59	Oslo	S	24	75	Venice	S	26	79
Caracas	R	28	82	Lima	C	19	66	Paris	F	27	81	Vienna	S	27	81
Casablanca	F	22	72	Lisbon	F	21	70	Peking	F	31	88	Warsaw	F	25	77
Chicago	R	27	81	London	S	27	81	Prague	S	27	81	Washington	–	—	—
Cologne	S	29	84	Los Angeles	S	28	82	Reykjavik	F	9	48	Zurich	S	25	77
Copenhagen	S	27	81	Luxembourg	S	27	81								
Corfu	S	29	84	Madrid	S	29	84								
Dallas	–	—	—	Majorca	F	24	75								
Dublin	S	20	68	Malaga	S	24	75								

Readings at mid-day yesterday:
C–Cloudy D–Drizzle F–Fair Fg–Fog H–Hail R–Rain S–Sun Sl–Sleet Sn–Snow T–Thunder

Eurotunnel plans shares placing to raise £200m

Continued from Page 1

formally accepting the terms is then likely to be signed by all the banks early next month.

Those provide for an interest rate of 1¼ percentage points above the London Interbank Offered Rate (Libor) for the main loan with rates of 1½ to 1¾ percentage points above Libor on the standby facility.

The banks will receive a commitment fee of ⅛ of a per cent immediately the loan memorandum is signed.

The 38 banks include five British and French banks that helped to found the Eurotunnel consortium, each of which is provisionally committed to underwriting £200m of loans. Individual underwriting commitments from other banks, including about a dozen Japanese, range from £160m to £50m.

Citibank of the US, one of the most recent to join the group of about 15 lead bankers, is expected to underwrite loans worth £160m.

The loan agreement is provisonal on the consortium's raising at least £650m in equity. Eurotunnel plans to raise a total of £1bn with a £772m public offer proposed for next summer when a listing will be sought for the shares on the London and Paris stock exchanges.

UK to build new IBM compact memory system

By Alan Cane in London

IBM, the world's largest computer group, has chosen its factory at Havant, near Portsmouth in southern England, to be the sole manufacturing plant for a new compact memory system to be used with its System/38 computer range.

IBM normally divides the manufacturing of a product between three sites, one in the US, one in Europe and one in Asia. The three sites "compete" to produce the product at the lowest cost and with the highest quality control.

The new memory is a magnetic disk drive system capable of storing up to 3.4bn bytes of data. A byte is needed to store a single character, so the new drive can store well over the equivalent of 1m close-typed sheets of A4 paper.

It was designed at the IBM UK laboratory at Hursley, near Winchester, which has a long history of involvement in the development of computer memory sytems.

According to IBM, the decision to award manufacturing of the new drive system, the 9335, to Havant was based on its ability to demonstrate its technical excellence in automated manufacturing methods and its ability to meet worldwide demand.

Improvements in IBM's magnetic memory technology mean that more than 25m individual bits (binary digits equivalent to a one or a zero) can be packed on to each square inch of disk space in the new drives.

IBM also announced yesterday that it intends to revamp both its System/38 computers, a medium-scale range featuring built-in advanced memory search and retrieval techniques, and its System/36 range.

Both will use IBM's 1m-bit chip as part of their fast internal store. The changes are intended to provide greater processing power and to facilitate the convergence of the /36 and /38 ranges.

Austin Rover heads for heavy loss

By Arthur Smith in Birmingham

AUSTIN ROVER, the volume cars unit of Britain's state-owned BL, is likely in the first six months of this year to more than double the trading loss of nearly £10m ($15.2m) suffered in the whole of 1985.

In a fiercely competitive UK market, with most car dealers offering cut prices and special deals, Austin Rover's share of new sales in the first five months of the year slipped to 16.86 per cent against 18.38 per cent for the equivalent period last year.

Figures released last night by the Society of Motor Manufacturers and Traders show Austin Rover's share in the first 10 days of June at 13.89 per cent, with Ford at nearly 30 per cent and General Motors at 16.55 per cent.

Austin Rover has attributed its disappointing performance to the uncertainties generated earlier this year by the public debate about a possible takeover by Ford.

Crucial to whether the company can stem the losses in the second half will be its performance in August, the month which now tends to account for around 20 per cent of UK car registrations.

The motor trade, in what has already so far been a record year for registrations, believes August could hit a new high, particularly if the "D" prefix is given an extended life by plans to switch the new registration letter date to October next year.

Austin Rover points out that profitable and much higher exports to continental European markets have more than compensated in the number of vehicles sold for the decline in the home market.

But the company has also been reducing production to contain stocks and switching labour at Cowley, Oxford, to build up output of the new Rover saloon scheduled to be launched on July 10.

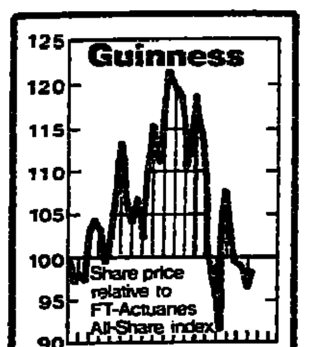
Mr Chris Lyddon, BL's director of finance, told the House of Commons trade and industry committee last month that Austin Rover's financial performance worsened again in the first quarter of this year after the improvement in 1985.

Austin Rover maintained last night that, as the first six-month period was not yet ended, it was impossible to say what the trading figures would be. The half-year results are usually released in August.

THE LEX COLUMN

The importance of being Ernest

On one point, at least, the City is undivided: the acquisition of Distillers has set Guinness up for two to three years of cascading cash surpluses and much better than average growth in earnings. After a year of concentrating on the evident weaknesses of Distillers, and casting Guinness in the role of turnround manager, it would be inconsistent to believe otherwise.



But that is about the limit of common ground. Everybody realises that Guinness can operate financial thumbscrews, and cut 20 per cent from operating budgets all round. Whether Mr Ernest Saunders is about to revolutionise the practice of brand-management in the whisky industry is a question on which not everyone is completely sold. Indeed, the figures just produced for the half year to March shed a minimum of light on how Guinness has so far managed its last whisky purchase, Bells. Suffice it to say that although there is no comparable period, profits have advanced; but there is no published figure for Bells' whisky volumes.

There is no question that Bells will be showing significant growth in profit when the next year-end arrives, this time in December. Not only has Guinness the benefit of restructuring provisions to the tune of about £45m, but the Picadilly hotel was sold at the best possible time – eliminating the unprofitable half of its trading year. If Guinness cannot take similar advantage of post-acquisition remodelling at Distillers, it is not the company that the City thought it was selling to.

The proof of the pudding must, however, depend on more than these essential manoeuvrings. Before the share price can start to regain its momentum – and shift the incubus of the convertible issue – Guinness will have to show some tangible evidence of post-acquisition work on the surplus assets. And of the marketing genius that is the long-term justification for its present, fortunate, position.

Coca-Cola

It is hard to know whether Coca-Cola is picking up $1bn in Coke bottling operations from what was once Beatrice merely to prevent them falling into enemy hands. After all, the post-buy out Beatrice is sitting on a great deal of debt, which like a set of Russian dolls encloses other acquisition debt back to Esmark and beyond, and the latest proprietors may not be too choosy about purchasers. Being called Avis did not help Mr Avis get his car business back against a higher offer.

Coca-Cola's own claim is that it looked hard for an alternative owner and found one, remarkable to relate, at home in Atlanta. This is all very well, except that Coca-Cola has also been talking, though unsuccessfully, to its largest franchisee, JTL. The purchase price, at a bit under 10 times earnings, is not expensive; but it could be that as the struggle hots up in a fragmenting US soft drinks market and Pepsi-Cola becomes even more active in shovelling up small brands, the question who bottles for whom becomes ever more important. The alternative, that Coca-Cola is reviving the principle of vertical integration, sounds implausible.

Unigate

Unigate has nicely outperformed both the market and the food sector in the past year, and yesterday figures for the year to March confirmed the market's recent confidence: pre-tax profits, give or take some property realisations, were up a full 30 per cent (to £82.8m), with every division more or less behaving itself.

These figures are a landmark for Unigate. In the past seven years, Unigate has sold and bought assets to the equivalent of its net worth and the present structure, for all its Heath Robinson appearance, looks stable. In the case of St Ivel, Unigate has done very well indeed: 70 per cent growth at the operating level is reward for identifying a shift to low-fat products and then marketing them with unusual flair.

But the businesses that remain are generating cash at a point where the balance sheet is beginning to look undergeared and, if that cash flow is not to attract unwelcome attentions, Unigate's management will be driven towards acquisition. Fortunately, a business that already comprises garages, truck rental and fast food has plenty of scope, even if its rating – at 10 times prospective earnings at yesterday's 278p, down 2p – does not.

Standard

The motives of the newly installed top management at Standard Oil in removing a giant sculpture of a rubber stamp which stood outside the Cleveland HQ have remained obscure until now. But the creation of a new oil-indexed debt security as the first step in the rearranging of Standard's balance sheet shows that contempt for convention could be the hall-mark of the new regime.

The immediate conclusion of oil market watchers will be that Standard sees several years with no real recovery in oil prices. That certainly appears to be the view of the BP parent, which has been unsuccessful in putting its £2bn or so of cash into counter-cyclical oil asset purchases, largely because the US market has a much more bullish view of the oil price. Witness Standard's own share price which is yielding little more than 6 per cent on a dividend which would not be covered at an average oil price of $15.

The issue is not just a piece of opportunistic speculation by new management ingrained with the trading style so closely associated with Britannic House. Even if the oil price does break the $25 barrier Standard will be reducing its debt repayment bill in the short term by promising rent on future oil production at a time when it is very long on oil.

The theory is that the other side of the hedge will prove attractive to utilities and other big oil consumers. But judging by the almost total lack of interest shown in Phibro Salomon's quoted oil puts and calls, practice may not be so obliging. A host of UK oil companies which bought units in the Forties field can testify that when Mr John Browne is selling, it may not be time to buy.

SECTION III

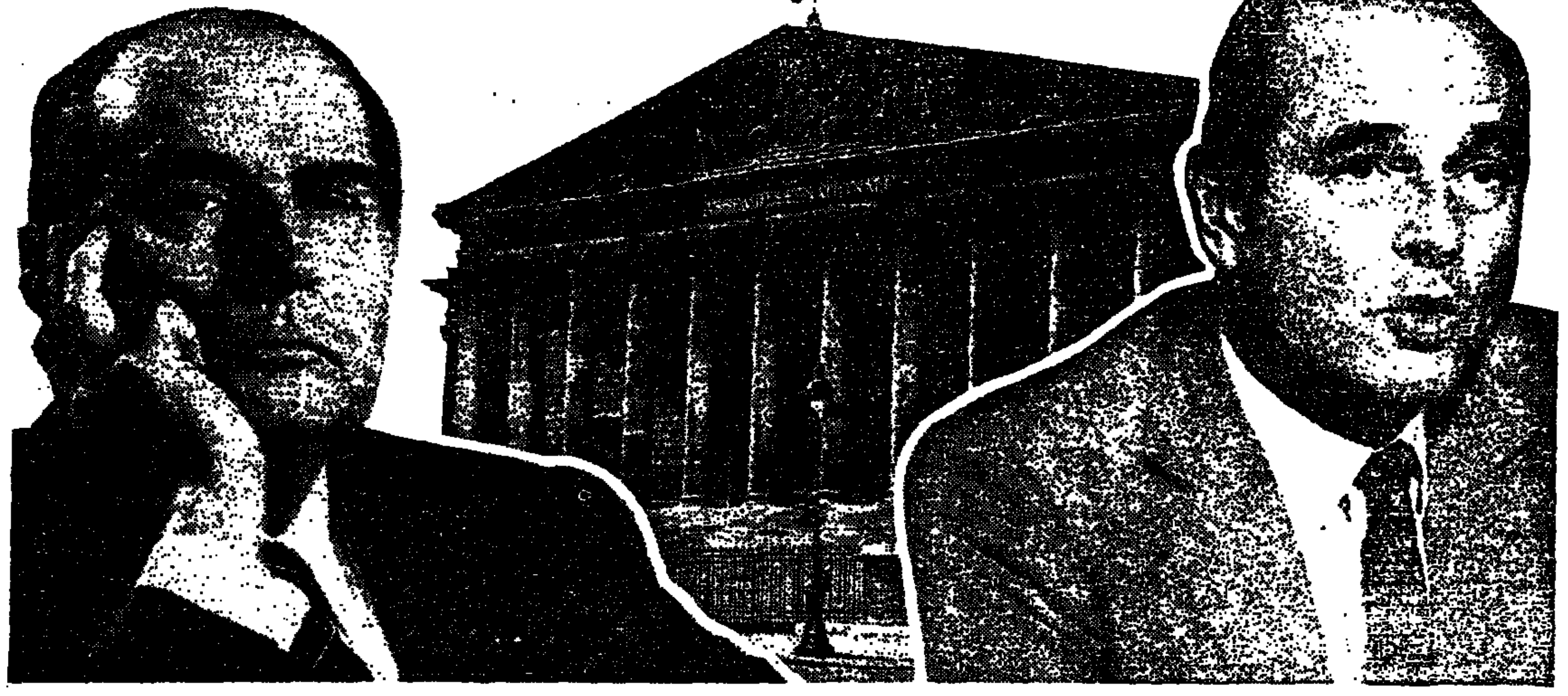
FINANCIAL TIMES SURVEY

France

The going is rougher and tougher than expected for the right-wing Government of Mr Chirac. Nevertheless, cohabitation with a hostile President Mitterrand is working for the moment

Chirac runs obstacle race against time

By David Housego, *Paris Correspondent*



Martin Barnes

Socialist President Mitterrand (left) and right-wing Prime Minister Chirac: procedural snares in the National Assembly

JACQUES CHIRAC came to power in March at a time when the French economy was in the midst of an adjustment programme that was begun later than that in most industrialised countries and which so far has been carried through with probably less cost in terms of loss of jobs and output.

The goal of his conservative administration was to quicken the pace of this change while at the same time to carry through longer-term measures of deregulation and public expenditure cuts intended to remove rigidities in the economy and wean France away from its long traditions of state intervention.

He has embarked on this course in the doubly difficult circumstances of having a slim majority in the National Assembly and a hostile President across the Seine in the Elysee.

Equally he did not help his cause by encouraging his supporters before the election to believe that the return of the right-wing government to power would create a climate of confidence that would start a period of faster economic growth. It was an unwise message to preach in that France's domestic circumstances and the international environment are very different now from the late 1950s and 1960s when de Gaulle and then Pompidou successively pulled off a turnabout in French performance to which Mr Chirac was nostalgically looking over his shoulder.

But this combination of circumstances helps explain why two and a half months after taking office Mr Chirac is the victim of a certain disenchantment. The going has been slower and rougher than he had anticipated.

His supporters were impatient for quick results. Instead the legislation needed to give effect to the Government's programme of deregulation and privatisation has limped through the National Assembly and across the other procedural hurdles laid down by the Constitution.

Both President Mitterrand and the Socialist party emerged from the March elections in far stronger shape than anybody had predicted before the poll. Mr Mitterrand has used this strength to lay snares across Mr Chirac's path — whether by refusing to sign decrees or by delaying the approval of new appointments — while posing as arbiter of the Constitution. It has been Mr Mitterrand who has seen his popularity rise in the public opinion polls as a result of "cohabitation" while Mr Chirac's took a tumble earlier this month.

The foreign exchange initially signalled their approval of the new Government (and of its early devaluation of the franc) through large inflows of capital. But the impact of this wore off when the Bourse (the stock exchange) began a downward march after reaching unrealistic peaks in mid-May. The Bourse's slide was fed in part by a set of poor monthly trade, inflation and employment figures. At the same time, there were the first rumblings of labour discontent after a long period in which labour conflicts in France had dropped to an all time low.

None of this would matter very much if Mr Chirac had time on his side. But a Presidential election is at the most two years away — and possibly a good deal less — with Mr Mitterrand, and not Mr Chirac, more master of the timing.

If in the March election the Right scored 55 per cent of the vote, a Presidential contest between Mr Chirac — who has set his sights on being the Right's candidate — and Mr Mitterrand who increasingly looks like being that of the Left — could be a close run thing.

France is shifting closer to the Anglo-Saxon model of two large political formations with no longer any major ideological split between them since the Socialists abandoned the Marxism in their credo. Between Mr Mitterrand's soft-footed social democracy and Mr Chirac's more abrasive free market economics many Frenchmen find it hard to choose. Hence Mr Chirac cannot afford to wait too long to show results in the three areas — employment, inflation and law and order — where he has staked his flag.

Notwithstanding the recent run of poor economic figures, the fruits of the Socialists' 1983 adjustment measures were beginning to emerge when they left office. If they had been in power a few months longer they would also have been able to have drawn the political benefit from the windfall gain to the economy from falling oil prices and the decline in the dollar.

But even after the devaluation of the franc, French inflation is falling to under 3 per cent — or below the European average — thanks largely to the holding down of wage costs. The level of economic activity is picking up with real GNP — fuelled by consumption and investment but not by exports — likely to expand by 7.5 per cent this year.

Both nationalised and private sector companies have been reporting substantial profit increases for 1985 — thus reversing the trend of the 1970s when it was companies which bore the shock of the second oil crisis. The public sector borrowing requirement — as expressed through the combined deficits of the Budget, the social security fund and the local administrations — fell last year as a percentage of GNP though this hides the alarming long-term deficit in social security financing that is beginning to emerge.

As yet, the modest pick up in activity has had no impact on employment, nor led to any substantial revival of investment. Job losses continue in industry, reflecting the restructuring in loss-making sectors such as steel or the car industry and will now have to continue into such areas as banking. There are signs, however, that investment is beginning to pick up more momentum — and that this movement could grow stronger with the drop in interest rates, the reductions in company taxation, the incentives to new housing and the other measures the Government has put through.

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The Economy

New team pulls on two different levers

THE FRENCH have good reason to feel confused about the state of their economy.

After being given a rosy picture early in the year of the windfall gains for growth and inflation that would stem from the drop in oil prices and the dollar, they have since seen Mr Edouard Balladur, the new Finance Minister, cast a cloud over the immediate future by describing the economy as being in "a bad state."

There has been no fundamental change over recent months, either in the international environment or France's domestic situation, to account for such widely different assessments. Nonetheless, two events have ocurred which alter the perspective.

The first is the transfer of power from a Socialist administration, which had an electoral interest in making the most of its achievements, to a right-wing administration that needed to damp down expectations. Mr Balladur ran a real risk, on taking office, that the combination of a more favourable external environment, and the right's own heady rhetoric over deregulation and restoring confidence, could have triggered off renewed pressure over prices and wages.

The second factor is that the new government has carried through a number of measures — the devaluation of the franc, the lowering of interest rates, the substantial freeing of price and exchange controls — which are generally favourable to investment.

A good many of them would have been implemented by the Socialists. But they will take time to show results.

Beneath the polemic, the good news in the French economy is that, after five years, in which real GDP has expanded at an annual average of 1 per cent, output in real terms will grow by about 2.5 per cent this year and next. This is still below the OECD average, and in particular a good percentage point below France's main trading partner West Germany. But this growth differential has at least the advantage of encouraging exports while curbing imports.

The greater part of the additional growth is coming from increased household consumption—which in turn reflects a higher level of real disposable income. This is due to a combination of faster-than-expected disinflation, leaving wage earners with a 1 per cent gain this year in purchasing power, and to cuts in taxation and increases in social allowances.

The boost to domestic demand from increased household purchasing power is being reinforced by a modest 2 per cent volume increase in fixed capital investment. Investment in the manufacturing sector is higher than this, but overall investment levels remain below 1980 levels.

Nonetheless—an important element in the good news—corporate profits are rising again, thus reversing the trend of the 1970s when households increased their share of the national wealth. The improvement in corporate profit ratios—back last year to the exceptional level of 1977—is a result of the clampdown on wage costs, the reduction in interest rates and a lengthy period of rationalisation and workforce cuts.

Coupled with the increase in activity, inflation continues to fall, with France this year likely to have a year-on-year rate of under 3 per cent, or below the OECD average. This is notwithstanding the devaluation of the franc and increases in public sector tariffs, and reflects the continued squeeze on wages.

But, even at below 3 per cent, the inflation gap with West Germany has begun to rise again, and the price consumer index could come under further pressure later this year or early next as a result of more militant wage demands and the intended removal of price controls in the service sector.

Against this, the bad news in the French economy is the continuing vulnerability of the trade sector—with any pick-up in economic growth being reflected in an acceleration of imports. Even with last year's modest 1.3 per cent rise in GDP, imports rose 5.2 per cent in volume terms, with exports growing only 2.3 per cent.

This reflects continuing structural weaknesses in French industry, and a loss of market share by France in world trade in manufactured goods.

Thus, notwithstanding the benefits of the drop in the dollar and in oil prices, France's trade deficit last year stagnated at the 1984 level of about FFr 24bn. In the first four months of this year — when, for 1986 as a whole, the drop in oil prices and the dollar should bring France savings of FFr 70bn in its imported energy bill — the cumulative trade deficit had reached FFr 3.9bn. Nonetheless, the current account should this year be in substantial surplus, in part because service payments on the foreign debt will be less than anticipated.

The other black spot is that unemployment, which stabilised last year at around 10.2 per cent of the labour force, could rise again in the coming months. This is because temporary youth employment schemes, brought in by the Socialists, will have run their course, and the new ones brought in by the right — encouraging firms to take on young workers through cutting their social security contributions — will not have taken effect. At the same time, industry and the service sector are expected to shed another 50,000 jobs — with the easing of redundancy procedures likely to quicken the pace in the short term.

Since coming to power, the Government has been pulling on two different levers in its management of the economy, contributing to the confusion over its intentions. The first has been to curb any revival of inflationary expectations. The small 3.5 per cent effective devaluation of the franc against the DM in March was thus used to impose a freeze on public sector salaries, announce cuts in public expenditure, and to maintain a tight monetary policy with a target range of monetary growth this year of between 3 and 5 per cent.

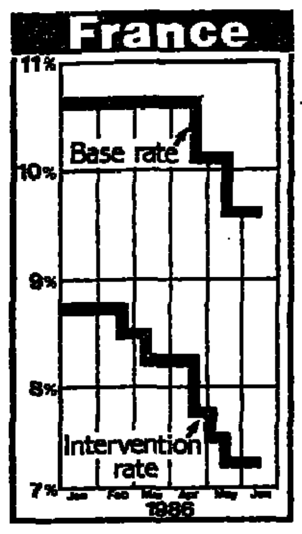
Thus, since the beginning of the year, through increased financing of the Budget deficit on the bond market, the prepaying part of France's external debt, and through increasing the minimum reserve requirements of the commercial banks, the government has reined in the growth of M3 from 7 per cent to just over 5 per cent.

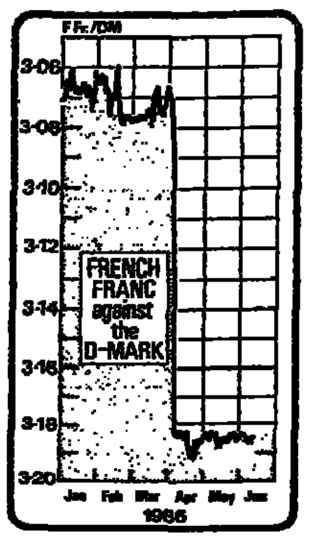
At the same time, this restrictive stance has been accompanied by supply side-measures intended to stimulate investment. These have included the removal of the bulk of foreign exchange controls on business transactions and private capital flows, the easing of price controls, and an increase in instruments available to corporate treasurers through a further liberalisation of the financial markets.

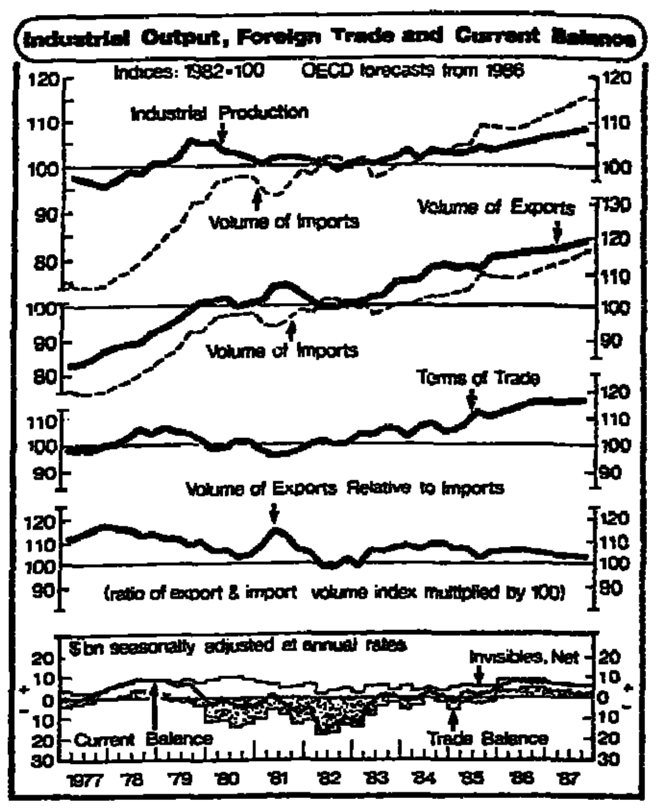
Coupled with these moves, the Bank of France has lowered its intervention rate—the main money market rate—by 1 per cent to 7½ per cent; and bank base lending rates have also fallen by one per cent to 9.60 per cent. Real interest rates in France, nonetheless, remain high at a time when inflation is falling to under 3 per cent.

Mr Chirac's worry is whether he will have time to cash in on these measures before he is summoned to the polls again for fresh elections.

David Housego







A difficult obstacle race against time

CONTINUED FROM PREVIOUS PAGE

But the continuing weakness of investment — still well below 1980 levels — is one of the reasons for a certain loss of industrial competitiveness which is the weak spot of the French economy. Exports of manufactured goods stagnated last year and France's surplus on trade in manufactured products has been declining.

The economic measures that Mr Chirac has taken — from the unwinding of foreign exchange controls to privatisation and the cutting of public expenditure — are aimed at strengthening industry's competitiveness and providing business with a more favourable environment in which to operate. Notwithstanding the outcry that there has been in France over some of the measures, the bulk bring the country into line with what is common practice elsewhere in the industrialised world.

They have generally been welcomed by industry — which is none the less worried whether the Government will survive long enough to make them stick — and should show results over the medium term. But that might be too far on the horizon for Mr Chirac.

Indicative of the growing consensus within France over economic policy, some of the liberalisation measures—such as the lifting of foreign exchange and price controls, or the cutting of public expenditure—had been initiated by the Socialists.

Even the most controversial —the abolition of the requirement on companies for administrative approval before declaring redundancies and the privatisation programme—are in practice accepted by a good many Socialists as removing the rigidities in the economy (which the Socialists would find difficult to remove themselves) and as a welcome diminution of the state's role in the economy.

The Socialists' quarrel with the Right over the privatisation concerns the pace, the price and the fear that the most attractive morsels could end up under the control of a limited number of well-known financial groups. The Government is planning to privatise up to FFr 40bn of assets next year with an insurance group, a financial holding company (Paribas of Suez) and an industrial concern among the first 10 be put on the market.

Surprisingly for an administration that contains so much experience within its ranks, the Government's presentation of its policies has often been clumsy. It has been identified in the eyes of public opinion with a rowdy internal quarrel over the privatisation of TF 1 (the first television channel), the abolition of wealth tax (unpopular in the country) and the easing of redundancy procedures (which also worried the unions). Mr Mitterrand in his role of defender of social progress, and the Socialist party have had no difficulty in exploiting these errors.

But notwithstanding the difficulties that Mr Chirac had in putting together his cabinet to satisfy the different elements in his coalition, it is a Government that contains a good many heavyweights.

Mr Edourd Balladur at Finance, Mr Henry Monory at Education, Mr Pierre Mehaignerie Public Works and Housing, and Mr Philippe Seguin at Employment are all senior ministers with strong reputations. The unknown factors in the cabinet are Mr Alain Madelin, the Industry Minister, and Mr Francois Leotard, the Minister of Culture—both free market advocates pushing Mr Chirac faster in that direction than his own instincts tell him.

The Government's difficulties are likely to grow in the coming months as it enters what one of the Prime Minister's advisers recently called a "period of political turbulence." Mr Mitterrand seems determined to play cat and mouse with Mr Chirac over the signing of decrees and the approval of appointments.

In the autumn a row is brewing over the Budget which will include sensitive cuts in public expenditure and the ratification of the abolition of wealth tax. At the same time, the Government's commitment to free market economics will be put to the test over the reduction of subsidies to loss-making industries which could produce further job losses.

Mr Chirac has been saying that he wants "cohabitation" to run its full term until 1988 because he wants time to show results. Mr Mitterrand's friends have been echoing him in the belief that the Government's difficulties with public opinion and its own majority in the Assembly will deepen. Both Mr Raymond Barre, the former Prime Minister, and former President Valery Giscard d'Estaing have yet to emerge from the shadows as challengers for the Presidency in competition with Mr Chirac.

In practice both sides are making contingeucy plans for a showdown early next year. But both are anxious to avoid giving the impression that they are responsible for launching the conflict. "Cohabitation" still remains popular in the opinion polls as giving effects to an old French dream of a national political consensus.

"Cohabitation" has not prevented the Government from implementing its programme even though it makes this exercise more difficult. The one area where it has put a curb on fresh initiatives is foreign policy where the President and Prime Minister share responsibility, and where the focus is now on resolving outstanding issues—the trade quarrel with the US, the French hostages in the Lebanon, and the imprisoned French agents in New Zealand.

None the less "cohabitation" is not necessarily an experience the French want to repeat. There is a strong body of opinion in favour of reducing the President's mandate from seven years to five which would correspond with the term of the National Assembly. This would suit Mr Mitterrand who realises his countrymen might be reluctant to elect him for two terms of seven years.

The Pompidou Men

Rehabilitation of the old guard

Georges Pompidou, the former President

ONE OF the first acts of Mr Jacques Chirac and his ministers after taking office was to attend a mass commemorating the 12th anniversary of the death of Georges Pompidou.

It was a characteristically symbolic gesture, intended to show how much this administration takes its values and its style of government from the former president.

The "Pompidou men" have thus crowded back into the administration. Mr Chirac got his first experience in politics under Pompidou, and was later both his Minister of Agriculture and of the Interior. Edouard Balladur, now Finance Minister, was Pompidou's Secretary General at the Elysee.

Denis Baudouin, now government spokesman in the Prime Minister's office, was Pompidou's press adviser. Jacques Foccart, now Chirac's adviser on African affairs, held similar posts under de Gaulle and Pompidou. Even Roger Martin, the former head of Saint-Gobain and called back by the government to head a committee of inquiry on aids to industry, presided over the industrial wing of the planning commission in the Pompidou years.

The calling back of the Pompidou tribe, in a context of "cohabitation," is intended to provide Mr Chirac with a reservoir of experience to act as a counterweight to an Elysee occupied by a Socialist president. Significantly, as well, politicians with whom Pompidou had difficulties—like former President Giscard d'Estaing, whom Pompidou once called his "cactus"—were left out of the cabinet.

Pompidou was a popular president who combined being a conservative in politics with an uncanny sense for the shifting moods of public opinion. After having worked closely under General de Gaulle for years, he broke the umbilical cord with the dominant figure in French post war politics to establish a modern version of Gaullism. It is above all that that Mr Chirac admires.

Another, and important, element of Pompidou's legacy was his personal hatred of Mr Mitterrand. The two men never spoke to each other, thought they often crossed swords in the National Assembly or in election campaigns. "Mitterrand is a statesman," Pompidou is alleged to have said. "But he is also a careerist who has confused his personal ambitions with those of France. That is something I detest."

For the "Pompidou men," the master had two great qualities. He pushed, both as prime minister and president, for the rapid industrialisation of a country that was still largely agricultural. It was Pompidou who, in the late 1960s, gave the initial boost to the French nuclear programme.

He was also a man of pragmatism, who believed that change should never be pushed to the point of disruption. Pompidou was, after all, the man who calmed France after the riots of May 1968.

But even among the Gaullists of his day, Pompidou did not win universal support. As president, he fell out with Jacques Chaban-Delmas, his first prime minister, over the latter's plans for a "new society"—a social democrat vision of France that is not too distant from what the Socialists are proposing today.

David Housego

In the 'servant of the state' tradition

Profile of EDOUARD BALLADUR Finance Minister

French Finance Minister Edouard Balladur: humour at the Treasury

MR EDOUARD BALLADUR was unknown to the French public when he took over as Minister of State with responsibility for the Economy, External Trade and Privatisation—and effectively as deputy Prime Minister in the new conservative government.

He is still relatively unknown, having appeared little on television and given few Press interviews. But within the Treasury—one of the most difficult departments for a new minister to get to grips with—he has achieved a firmness of control probably unmatched by his immediate predecessors.

"Balladur has established an absolute dictatorship," says a former Treasury official overawed by the way that the minister has succeeded in intimidating the officials who work under him.

Despite his sombre appearance and flat Parliamentary delivery, Mr Balladur is a man with an unexpectedly wry sense of humour. "As Minister of Finance, I see a great future for the television licence fee," he recently told a reporter questioning him about rumours that the Government might reduce it.

Though committed to free market economics, he insists that he is no ideologue. He resorted to blatantly protectionist measures in preventing Mr Carlo de Benedetti, an Italian industrialist, from taking over Valeo, the French compentnts group, by simply declaring it a "defence industry."

He says it is much easier for right-wing governments to make such moves than it is for the left, which has "complexes" about its handling of business.

His one real gaffe since becoming Finance Minister was to talk down the state of the French economy in a way that helped to undermine confidence in Mr Chirac's administration while also provoking a tumble on the Bourse. But in the long run it may not be a gaffe in that Bourse prices have been too high as a launching pad for the Government's privatisation programme.

As a former Secretary General of the Elysée and a member of the Conseil d'Etate (one of the most prestigious of the grands corps), Mr Balladur is in the old French "servants of the state" tradition. He has thus taken a high-handed tone with the business lobbies attempting to get on an inside track in the future privatisation of the banks and industry.

Denationalisation must be carried through with "moral rigour," he says. So he did not believe that a businessman should preside over the committee being set up by the Government to determine the value of groups to be privatised and advised on the means.

But with this inside knowledge of the mechanism of the French state he is also against importing the British idea of the "golden share" into the privatisation programme. He believes that if given a foothold the state, with its *dirigiste* tradition, would continue to be too interventionist.

But, unlike many of the Chirac Government's followers, Mr Balladur is a patient man and he believes that the changes being introduced in economic policy will bring optimum results. If they do not, Mr Chirac's presidential ambitions will be seriously undermined.

David Housego

The Unions

First rumblings of labour unrest

Demonstrators in Paris protesting last month at the right-wing Government's project to privatise TV stations

AFTER a year when the number of labour conflicts dropped to an all-time low, this summer has brought the first rumblings of labour unrest.

French railway workers called a widely followed strike last month to protest at the planned cutback of 8,000 in the SNCF's (French railways) workforce. This month there have been periodic stoppages in the RATP (the Paris metro), Electricite de France, Aerospatiale, the shipyards and other parts of the public sector over issues of workforce cuts and pay.

Mr Edmond Maire, the leader of the pro-socialist CFDT, who had been keeping a low profile since the election, recently warned the Government that it risked a militant backlash if it adopted policies being pushed by the extremist right. The Communist-led CGT union has been picking up more votes in plant level, inter-union elections — though its strength remains well down on what it was even a few years ago.

Perhaps more worryingly for the Government, Mr Andre Pergeron, the leader of the more centrist Force Ouvriere, who has always had good relations with right wing administrations, warned the government that it was committing "blunders."

It is not yet clear whether this discontent will gather momentum. The unions strength has been much eroded — and continuing to be — by high levels of unemployment. But in political terms the Socialists have clearly an interest in encouraging union conflicts in the autumn and winter when political differences between left and right over the Budget are likely to grow.

The unions, however, have been increasingly taking their distance from the political parties. In the March elections, the CFDT broke with past practice and declined to recommend its followers to vote Socialist. Though the CGT is dominated by the Communist Party, it nonetheless has no wish to follow the party down its road of decline. Some of the CGT leaders have thus also been differentiating themselves from official party doctrine.

The unions deliberately gave the Government of Mr Jacques Chirac a breathing space after the March elections to see the nature of its policies.

Disappointment set in when the Government announced the immediate abolition of the requirements on companies to get official administrative before declaring redundancies.

The employers had been seeking this on the grounds that with more flexibility over cutting back their workforce, they could more easily take the risk of creating new jobs.

But Mr Philippe Seguin, the popular Minister of Labour, had earlier given unions the impression that he would prefer to go more slowly and after negotiation between unions, employment and the Government over new redundancy procedures.

To union discontent over the easing of redundancy procedures has been added fears over further workforce cutbacks in such sectors as the shipyards, the railways and the Paris network where the Government is attempting to reduce the volume of state subsidies.

On top of this the pay guidelines announced by the Government for the public sector after the March devaluation have turned out much tougher than expected. There is to be no new pay awards this year but the Government has included, within the scope of increases already allowed, the normally additional bonuses for length of service and movements up the wage scale.

Unions initially accepted the clampdown on wages on the understanding that inflation this year would be limited to the Government's year on year target of 2.3 per cent. If there is a slippage in this, or inflationary expectations pick up towards the end of the year, the Government could find itself in trouble.

David Housego

Politics

Chirac beset by handicaps

Left to right: Jean-Marie Le Pen, Michel Rocard and Valery Giscard d'Estaing: concerned with the prospect of the next presidential election

IN THE end, both supporters and opponents of "cohabitation" have been proved right. Power sharing between a right-wing prime minister and a Socialist president has not paralysed the French administration. But it has proved an uncomfortable experience for Mr Jacques Chirac as Prime Minister.

He has had to demonstrate that the new right-wing majority, which emerged victorious from the polls on March 16, is pursuing different policies—but to do so under the nose of a Socialist President who does not cease to voice his disapproval.

Mr Mitterrand has taken his distance from Mr Chirac on issues as different as privatisation, the abolition of the wealth tax, the easing of redundancy procedures, the use of emergency parliamentary powers to accelerate legislation, New Caledonia, the US Strategic Defence Initiative (SDI) and nominations for diplomatic posts.

At the same time, Mr Chirac has had to navigate in the National Assembly with a majority of only three. On the Opposition benches, he has had to face a Socialist party cock-a-hoop that it was able to retain more than 200 seats in the elections, and which, in tandem with Mr Mitterrand, has enjoyed playing with Mr Chirac as with a yo-yo—sometimes conciliatory in the Assembly, sometimes piling up amendments to legislation in a way that justifies the Government's attacks of "obstructionism." It is a tactic that is wearing on the Government's nerves and on its public images.

By no means the least of Mr Chirac's troubles is the problem he has had with his own coalition partners. The more centrist UDF were irritated that Mr Chirac's neo-Gaullish RPR took the plum jobs in the new cabinet. Their two leaders, former President Valery Giscard d'Estaing and Mr Raymond Barre, his former Prime Minister, remain Mr Chirac's rival as a candidate for the next presidential elections. The more market oriented-members of the UDF were initially impatient with Mr Chirac for dallying too long in carrying through the main measures of liberalisation contained in their joint manifesto.

Mr Chirac's difficulties have forced him to rely more than he initially intended on the emergency powers of the Constitution to hurry through egislation by cutting short Parliamentary debate. Thus one of the paradoxes of "cohabitation"—or "coexistence" as President Mitterrand prefers to call it—is that Parliament has seen its power eroded. This in spite of a move to a more Pariamentary regime in the sense that for the first time in the 5th Republic real executive authority lies with a Pime Minister responsible to the Parliament.

These handicaps to Mr Chirac's authority are all the more frustrating in that, if the existing single-seat majority voting system had been retained for the March elections, Mr Chirac and his allies would have won a landslide victory as the right obtained 55 per cent of the votes.

But proportional representation—as Mr Mitterrand had foreseen—allowed the Socialists to emerge as the largest single party in the Assembly with 32 per cent of the vote. It also divided the right by bringing into the Assembly the extremist National Front of Mr Jean Marie Le Pen with more than 30 seats. The Front has now the same parliamentary representation as the Communists, who saw their share of the vote drop to under 10 per cent.

In what is inherently an unstable situation, the skirmishing between President Mitterrand and Mr Chirac represents only a preliminary exchange of fire. Neither has an interest in an open conflict at the moment, which would be ill understood by a public opinion that believes Mr Chirac's policies should be given more time to show their effects.

But the tension is likely to grow this month, when Mr Mitterrand must decide whether to sign decrees and appointments put to him by Mr Chirac. It could worsen in the autumn with discussion over the budget.

Thus the expectation that there could be an early presidential election late this year or early next. It is a hypothesis which both sides are taking seriously.

Mr Mitterrand has far more control than Mr Chirac over the timing of fresh elections. He can dissolve the National Assembly—though Mr Chirac is in the process of disarming this weapon through switching back to the single-seat, first-past-the-post voting system.

He can also resign. Mr Mitterrand could be tempted to do this as, if he stands again (which seems increasingly likely), an obstacle across his path is that the electorate might judge two full seven-year terms as too much. Hence the possibility of a referendum to reduce the President's terms of office to five years.

Though the right had a clear majority of votes in the March elections, it is by no means certain that this would be the case in a presidential fight between Mr Mitterrand and Mr Chirac. Mr Chirac suffers from the disadvantage that he is likely to be sniped at both by Mr Giscard d'Estaing and Mr Barre. But all parties are agreed that whoever wins the presidential election could dissolve the National Assembly afterwards in the expectation that the country would give the new president a parliamentary majority.

It is thus around the prospect of the next presidential elections that the major parties are beginning to deploy their energies.

The Socialists, who had been in danger of scrapping badly among themselves if they had been badly defeated in March, have increasingly rallied around Mr Mitterrand as their future candidate. The major dissident voice is Mr Michel Rocard, the former Agriculture Minister, who insists he will also stand.

On the right, it is the UDF which has the major problem in preserving its identity and cohesion against Mr Chirac's well-disciplined troops. The UDF has always been a coalition that has stretched from Social Democrats to free market supporters, suspicious of the high-handedness of the Gaullists. It remains divided over its political programme and over who it wants as its leaders. Besides Mr Giscard d'Estaing and Mr Barre, Mr Francois Leotard, the Minister of Culture, is now also staking a claim as a future presidential candidate.

On the extremes, the National Front is likely to be virtually eliminated from the Assembly by a switch back in the voting system.

Increasingly, France seems to be moving towards two large political movements of left and right on the Anglo Saxon model—with, for the first time in decades, a good consensus between them on the fundamentals of economic policy.

David Housego

Industry

Competitiveness is given top priority

THE NEW government has made the recovery of the competitiveness of French industry one of its top priorities.

Since coming to power, the administration has announced a whole battery of economic and industrial measures designed to boost the strength of French industrial performance at home and abroad and stimulate badly-needed job creation.

Mr Alain Madelin, the new industry minister and one of the champions of the new French liberal wave, says that the Government's aim is to create the free-market liberal climate to encourage the development and the profitability of the industrial sector as a whole.

Matching deeds to its liberal rhetoric, the new government devalued the French franc to give industry a shot in the arm, although many enterprises and especially the hard-hit French automobile industry, would have liked to see a bigger devaluation.

It has announced reductions in business and profit taxes and has taken the controversial decision of lifting the cumbersome administrative regulations, to enable companies to declare redundancies more easily, with the idea that this will induce enterprises to hire new employees more readily than in the past.

In line with its free-market approach, it has announced the lifting of all industrial price controls, deregulation in the energy and telecommunications sector, privatisation of state banks and industrial groups. The Government is also advocating the merits of labour market flexibility and, to improve further the competitive position of French enterprises abroad, it has eased substantially the exchange control constraints suffered by French companies.

But, after moving swiftly in launching its package of measures to help boost industrial performance, the Government has already started to show signs of impatience. Mr Jacques Chirac, the Prime Minister, echoed the new administration's sense of frustration when he told entrepreneurs, at a recent business conference in Paris, that they were not keeping their part of the bargain in creating a better employment climate in return for the Government's latest industrial incentives.

The Government has since found that the country's overall industrial situation is perhaps in worse shape than it had anticipated. Apart from the continuing problems of traditional sectors, like cars, steel and shipbuilding, where restructuring will continue to require substantial financial backing from the state, the overall level of competitiveness, profitability and investment is still lagging behind those of many of France's major industrial competitors.

The Patronat, the French employers' confederation, has just outlined extremely eloquently the underlying problems of French industry, in a report produced by its deputy president, Mr Guy Brana. The report shows that productive investments in France, after falling between 1980 and 1984, started to pick up again last year, but only enabling the country to return to the level of 1979. In West Germany, Britain, the US and Japan, the rise in productive investments since 1983 has been sustained, leaving France behind.

French direct investment abroad is also well behind those of its main industrial rivals. French enterprises invested only FFr 18.4bn abroad in 1984, compared with FFr 26.9bn for West Germany, FFr 34.9bn for the UK, FFr 52bn for Japan, and FFr 107bn for the US.

Another telling example of the gravity of the situation is the steady rise in foreign penetration of the French market. The total penetration of foreign industrial products rose steadily from 26.8 per cent in 1979 to 33.1 per cent last year.

In turn, French penetration of export markets has been declining: from 10.4 per cent in 1979 to 8.2 per cent last year. This is further reflected in the decline of the country's industrial goods trade surplus. After falling by 14 per cent last year, to FFr 83bn, Mr Michel Noir, the trade minister, expects to see the surplus plunge to FFr 20bn-FFr 30bn this year.

At the same time, while large export contracts are expected to continue to decline this year, from last year's level of FFr 82bn, large public contracts on the domestic market have also been falling, as a result of the slowdown in orders from key sectors like telecommunications, transport and the nuclear industry.

The Patronat, and French industry in general, claim that, while the French government's latest measures are welcome, they are still insufficient. Moreover, they argue that it will take time before they feed through the system and start to produce results that will enable industry to resume job-creation.

If the private sector is currently adopting a wait-and-see attitude, the public sector is in a state of high tension. Although the management of the large industrial groups nationalised by the left have tried to adopt a business-as-usual attitude, they are concerned about the impact of privatisation on the continuity of their respective industrial strategies and internal morale, in the event, as is extremely likely, that the top managements of a number of these groups is changed.

Restructuring and recovery efforts at the main nationalised groups have proved generally successful. After heavy losses, the Thomson electronics and defence group, the Bull computer group, Rhone-Poulenc, the stae chemicals concern, and the Pechiney aluminium and metals company have all returned in the black.

The Compagnie Generale d'Electricite (CGE), the nationalised electronics, telecommunications, and engineering group, has for its part recently reported a consolidated profit increase of nearly 50 per cent (to FFr 1.2bn) for 1985. Saint-Gobain, the big state glass group, has also seen profits grow.

Although committed to a sweeping programme of privatisation and denationalisation, the government is nonetheless treading cautiously to try to calm fears in nationalised groups. It has said it will not launch witch-hunts against state industry bosses—but judge managers on merit. Moreover, the Government wants employees to take advantage of privatisation by encouraging them to become shareholders. Privatised groups are also to be protected from eventual foreign predators by a maximum ceiling on foreign ownership; and the Government plans to encourage small investors to take stakes in the privatised groups.

The state groups themselves are not opposed to the idea of denationalisation, as long as it does not disrupt their industrial continuity. Indeed, a number of senior state managers have made no secret of the fact that they favour privatisation, which is expected to give their groups greater autonomy and flexibility as well as better opportunities to tap international financial markets.

One head of a state company recently remarked: "There is a time for nationalisation and a time for privatisation. Both are useful."

But the state groups would also like to see privatisation benefit their treasuries directly. Elf-Aquitaine, the state-controlled oil group, has already said that it would like privatisation to give it new industrial and investment opportunities.

The state groups feel that privatisation would not serve their best interests if it were merely used as a way of helping the Government to raise money to fund its general budget. And the amount of money that privatisation is expected to generate is likely to be substantial. The Government is already calculating that it will raise FFr 40bn in the first year and a total of around FFr 200bn by the time the programme is completed.

The Government has already had to moderate the appetites of foreign investors interested in taking advantage of the new liberal climate in France. By initially trying to block the takeover effort of Valeo, the country's leading car components company, by Mr Carlo de Benedetti, the chairman of Olivetti, the new government has signalled clearly that it will not suddenly open wide the doors to foreign investors and allow takeovers of major industrial groups overnight.

Indeed, in the same vein, the Government has delayed giving the go-ahead to Fiat's plans to form a venture with the French Matra state-controlled group, also in the car components sector.

But despite the problems and concerns of private and public industries, the overall industrial situation is improving. Labour relations continue to be relatively good, although there have been signs of tension lately. Unions and employers are still arguing over the way to introduce greater flexibility in French labour and industry, and the labour movement has expressed alarm at the easing of redundancy regulations.

Against this background, French industry still suffers from an abnormally high level of indebtedness; various cultural rigidities, which have hampered the development of a modern international marketing approach; and severe problems in large industrial sectors like cars and steel.

The new government is now trying to accelerate the process of modernisation of French industry in its attitudes and methods. Considerable progress has already been made in the restructuring of certain troubled sectors and the development of new industries and venture capital. But the road is still long.

As a result, the new administration, even with its best liberal intentions, has found it hard to shake off the traditional penchant of French administration for dirigisme and state intervention.

Paul Betts

Peugeot, the largest French private car group—its Sochaux plants are shown above—has returned to the black but the state-owned Renault group, an aerial view of the Douai plant is shown below, has crippling debts

Motor Industry

Restructure of Renault balance sheet needed

THE CAR industry and the dire problems of the state-owned Renault car group continue to be the biggest industrial headache for the government. After losing a record FFr 12.5bn in 1984, Renault lost another huge FFr 10.9bn last year.

And although the first results of the sweeping restructuring programme undertaken by Mr Georges Besse, chairman of Renault, are starting to show, the new conservative government faces delicate and controversial decisions over the future of the large state car group.

The group, which was losing about FFr 1bn a month during the first half of 1985, has now managed to bring down its monthly operating losses to about FFr 500m a month during the first part of this year. Indeed, during some months this year, Renault has managed to bring down the deficit below the FFr 500m level. This reflects the large job reductions it has made in France and Mr Besse's cost-cutting operations and his efforts to recentre Renault's activities around its core car and truck businesses.

But Renault continues to be burdened by crippling debts totalling about FFr 60bn. Mr Besse has made it clear that the company needs to restructure its balance sheet urgently and requires about FFr 15bn to FFr 20bn for this purpose.

The French state car group is also still striving to find a solution to its large and costly American assets including an engine plant in Mexico and American Motors Corporation, the US car group in which it has a 46 per cent stake. It is looking, among other things, for partners for AMC.

The French Government has so far pledged aid totalling about FFr 3bn in state grants to Renault this year. It is now reviewing carefully the additional financial needs the car group urgently requires.

The new conservative government is clearly reluctant to bail out the troubled state car group with a blank cheque but it seems to have very little alternative. Renault in its current situation was inevitably left out of the government's industrial privatisation plans just like the steel industry.

Although the new government is opposed to subsidising industries, it has already hinted that it is considering coming to the rescue of Renault this time. "It seems we haven't got much choice. But it will be the last time a situation like Renault will ever happen again in France," a senior French government official remarked.

The future of Renault is also causing concern to Peugeot, the large French private car group embracing the Peugeot, Talbot and Chrysler marques. Peugeot has recently become a French management and industrial recovery success story. After several years of heavy losses and a major restructuring programme, Peugeot returned to the black last year with earnings of FFr 543m.

The group, France's largest private enterprise, led by Mr Jacques Calvert, is now expected to see its profits continue to grow this year to about FFr 2bn to FFr 3bn.

Moreover, Chrysler has also recently sold its 12.5 per cent stake in the French company marking the end of another significant and difficult chapter in the history of the private car group. Indeed, Peugeot's troubles in recent years came from its decision to acquire Chrysler's European car operations in the late 1970s and the difficulty in digesting and absorbing them.

Peugeot is now worried that by racing to the rescue of Renault the government will give its domestic rival an unfair boost.

After all, Peugeot argues, the private car group has also had its fair share of problems which it has had to resolve essentially on its own and although the situation at Peugeot has now improved considerably, the group still has a weak financial structure with financial debts totalling FFr 32.4bn.

For both Peugeot and Renault another problem is the uncertainty over the outlook of the French car market. The domestic market was depressed last year and continued to be sluggish at the beginning of this year.

The two French car groups are hoping to see a recovery but are still extremely cautious in forecasting the extent of the eventual pick-up of the domestic market.

Paul Betts

Success story in software

Profile of TELEMOS, the brainchild of the entrepreneur Michel Tessarotto

MR MICHEL TESSAROTTO is a French entrepreneur of Italian parentage who believes his computer software company Telemos provides an indication of how information technology is sweeping into everyday life.

Telemos employs 35 people and is based in a suite of offices near the Fauchon luxury food shop in central Paris, opposite the flower stalls outside the classically grandiose Madeleine Church.

As these surroundings might indicate, Mr Tessarotto, whose father illicitly entered France in 1936 to escape Mussolini's Fascism, believes that information technology companies need to find a release from the "arid" nature of their businesses.

"You need a dash of subjectivity," he says, pointing to walls covered with his collection of paintings ranging from a 16th century religious canvas to violently-coloured modern landscapes.

Telemos is one of a number of French high-flying computer service companies which have arisen on the buoyant French information technology scene.

French computer hardware manufacturers have signally failed to stand up to US competition over the past 20 years. But the French software industry is a success story — underlined by the rapid growth of the French No 1, Cap Gemini Sogeti, now European leader.

Mr Tessarotto, 42, spent four years with the Hachette publishing and communications group during the 1970s before moving to become director general of Ordina, a medium-sized French software company. Tessarotto set up Telemos in 1983 when he left Ordina after a four-year stint.

His company, with a capital of FFr 1m (Tessarotto owns 99.8 per cent of the shares) expects to register a turnover of FFr 12m for the business year to September 30, up from FFr 9m in 1984-85.

Profits are running at about FFr 2m a year, which Tessarotto says is being kept in the company mainly to assure a comfortable treasury position to protect it from periods of slackening orders. Under a scheme to give start-up companies fiscal incentives, brought in by the previous Socialist government, Telemos pays no tax at present.

It is working for a number of banks and financial institutions, including Crédit du Nord, Union des Assurances de Paris and the Compagnie du Midi holding group to help to set up improved computer-based communication networks.

In addition, Telemos has developed for the Federation of French Publishers a network enabling publishing houses to maintain permanent electronic links with bookstores around the country. The system, costing a total FFr 15m in investment, is being set up in association with Telesystèmes, the computer service offshoot of the French telecommunications authority DGT.

It will eventually link up about 50 publishing and book distribution companies and give booksellers immediate information about new titles. This will enable them to pass orders directly to build up stocks. The first connection will be made in October, with plans for 10 to 30 bookstores to be linked up by the end of this year and 100 by the end of 1987.

Michel Tessarotto, owner of Telemos,

Telemos's staff of engineers and salesmen work by taking charge of specific projects for customers. The only present contract where Telemos is not in charge of the project involves military work for the Thomson defence group, Mr Tessarotto says.

"We don't have the same financial means as the big companies. Our commercial and marketing efforts are more difficult. We cannot afford to make errors — so we are obliged to be good."

He is hoping to develop further business in the financial area to profit from banking deregulation in France and also in all areas of the distribution business.

Up to now, he says information technology in most companies has been used to "economise" people, time and money rather than to bring positive gains.

As companies start to regard computers as indispensable equipment this is now starting to change with advances in ways of transmitting voice, image and data, he says, companies are being given new opportunities to get closer to their customers.

"We need new national and international information networks. Companies like ours will have a role in helping to cut the costs of existing networks and in deciding whether new ones need to be set up."

Mr Tessarotto is backing up his confidence in the future of information technology with plans to make acquisitions of companies in which new networking and distribution methods could be brought to the fore.

Although he intends to remain the patron of Telemos, he wants eventually to reduce his personal shareholding and, one day, to float shares on the Bourse through listing on the *second marché.*

David Marsh

Aerospace

Performing a delicate juggling act

THE FRENCH aerospace industry is both a high-profile standard-bearer of the country's technological excellence and an instrument of its independent-leaning foreign policy.

The challenges and risks confronting the industry as it faces up to highly competitive markets abroad and strains on the military budget at home thus have repercussions spreading well beyond the 127,000 people directly employed in the sector.

French aerospace companies are trying to keep going a delicate juggling act in which the benefits of international collaboration have to be finely weighed against the interest of purely go-it-alone national strategies.

The dilemma is one which faces other industrial sectors too, both in France and abroad. But the difficulty of reaching an equilibrium between co-operation and competition has been emphasised by problems in a number of joint programmes—ranging from the European Fighter Aircraft to the Hermes space aeroplane—which have come to the surface over the past year.

Underlining the international exposure of the aerospace sector, exports last year made up about two thirds of the industry's total turnover of FFr 70bn, which grew only modestly from FFr 68bn in 1984.

Total orders last year showed a big increase to FFr 62m from FFr 38bn in 1984, divided equally between civil and military contracts. Significantly, 52 per cent of last year's orders concerned products made as part of international co-operative agreements, against 42 per cent in 1984.

This emphasises that a large part of recovery from the orders slowdown of 1982-83—when the international civil aviation recession hit French manufacturers particularly hard—has been due to success in programmes in which France is firmly tied to partners abroad.

The boost to the fortunes of the Airbus Industrie consortium in which Aerospatiale has a 37.9 per cent stake, had a sharp effect on order levels last year. Higher sales of 50 wide body A 300 and A 310 jets, as well as a buoyant flow of 39 confirmed orders for the new narrow body A-320 scheduled to enter into service in 1988, have led to a palpable increase in optimism at Airbus.

On the other hand, the consortium's success in wresting orders away from Boeing—particularly the $1.6bn deal for Indian Airlines clinched by Airbus has prompted the Seattle giant to step up a campaign alleging that its European rival receives unfair subsidies from European governments.

Boeing claims that Airbus has received more than $10bn in production subsidies to keep its business going. Airbus says that the figure is more like $4bn—and French aerospace executives have recently started up their own counter-campaign pointing out the big cash injections Boeing receives from the US Government for space and military work.

Although the Airbus-Boeing war of words has grabbed the headlines, continued co-operation between General Electric and Snecma, the French state-owned aero-engine company, has underlined that trans-Atlantic links can be a success.

The two companies started work on the joint CFM-56 engine in 1973 under a programme of technological co-operation which has its roots in an accord between Presidents Nixon and Pompidou.

Orders for the engine — used both for airliners such as the A-320 and Boeing 737-300 and for the US and French air force's fleet of Boeing KC-135 mid-air refuelling and transport aircraft — started to spurt in 1984 an dhave now sped well past the 2,000 mark.

Mr Jacques Benichou, the Snecma chairman, believes the CFM-56 engine will have a total production run of 4,000 units—much more than was originally forecast.

Despite the successes over international co-operation, there is no shortage of clouds over future programmes.

The assembly line of the A300 and A310 at the Toulouse plant of Aerospatiale

Even the Airbus project, over which there is a remarkable degree of political agreement among the participating governments, has its problems — not just due to the US lobbying campaign.

The French Defence Ministry and Dassault-Breguet have been putting out feelers towards Belgium, the Netherlands, Norway and Denmark — countries which bought the General Dynamics F-16 in the 1970s in tough competition with Dassault — to try to persuade these countries to join the programme to develop Dassault's Rafale prototype fighter.

An accord with the "North European group" would, however, almost certainly postpone by several years the originally planned in-service date for France's Rafale-based fighter, up to now scheduled for 1995.

An intriguing question is whether Mr Andre Giraud, the Defence Minister, who has said he wants to bring a new industrial orientation towards French defence procurement, will press home the merits of some sort of collaboration with US manufacturers over the new generation fighter.

Question marks have also been lining up over the space sector which has borne with much success so many French hopes over the past decade. The slide in international satellite orders has brought to the surface again the idea of pooling interests between Aerospatiale and Matra, which at present co-operate in satellites with Messerschmitt - Boelkow - Blohm and British Aerospace respectively.

Reticence in West Germany to join in the Hermes project — for a mixture of both technological and economic reasons — has been raising growing concern in Paris.

France has been hoping the manned space-plane could fly by 1995-96 — a date which is looking increasingly unrealistic.

The consortium is trawling for $2.5bn to finance two new projects—the short-to-medium range A-330 and long-range A-340 decided in principle in January. The bulk of the money will need tocome, as in the past, from the French, West German and British Governments, but the UK has shown no sign of wishing to vote any funds rapidly.

It is likely that Airbus will have to turn increasingly to financial markets to back new projects. A FFr 100m loan granted to Aerospatiale earlier this year by French banks to help back theA-320 may point the way.

Greatly more problematic is France's future policy in military aircraft. Dassault-Breguet has been a victim of the socialist's government's delays in ordering the Mirage 2000 fighter as well as of a slowdown in business with oil states and Third World countries. The company is searching for a new direction after the death in April of its legendar founder, M Marcel Dassault.

France's decision last August not to join Britain, West Germany, Italy and Spain in building a new point fighter aircraft for the 1990s was generally welcomed by the French aerospace industry. Dassault-Breguet had lobbied hard against a five-nation accord, arguing that it would have to give up technology and receive nothing but mounting costs in return.

All the same, France knows that it can no longer finance and produce solely by itself a world-class new-generation fighter capable of standing up to competition in the 1990s from McDonnell Douglas, General Dynamics and Northrop.

Bonn has said it will make a decision on the matter in the autumn, and CNES, the French space agency, has said that European support for the programme is sufficient to allow it to go ahead even if the Germans refuse to join.

Finally, the latest failure of the French-led Ariane rocket, due it seems to a failure in the third-stage motor manufactured by Société Europeenne de Propulsion (SEP), has cast a veil over French and European hopes for commercial exploitation of space.

After the series of mishaps affecting the space shuttle as well as the undoubted delay which will now affect Ariane-related programmes, ambitious French backed plans developed at the European Space Agency to achieve "autonomy" in space may now not be realised before the end of the century.

David Marsh

Steering a flagship out of the doldrums

Profile of HENRI MARTRE, president of Aerospatiale

Henri Martre, president of Aerospatiale: losing no sleep over privatisation plans

MR HENRI MARTRE, president of the French state-owned aerospace group Aerospatiale, is a man well used to seeing the light and shade of the armaments and aircraft industry.

Following a 37 per cent increase in Aerospatiale net profits last year, to FFr 454m, Mr Martre can be excused for wearing at least a half-smile.

The company, the flagship of France's efforts in half-a-dozen high-profile programmes, ranging from the European Airbus to the Ariane space rocket, has recovered from the doldrums of 1983 when it slumped into deficit.

However, intense competition and the effect of the lower dollar and the fall in the oil price on world markets are likely to bite into this year's results. As if a further reminder were needed of the dangers of over-confidence, the latest Ariane failure has served notice that Aerospatiale cannot afford to rest on its laurels.

Mr Martre, who took over at Aerospatiale in 1983 after a six-year stint as head of the Direction Generale pour l'Armament, which controls the Defence Ministry's weapons programmes, is centrally placed to measure the rewards and pitfalls of international aerospace cooperation.

Aerospatiale has a long-standing record of collaboration with foreign companies. This is in marked contrast to the other main aerospace manufacturer, Dassault-Breguet, now facing up to a more unsettled period during which France can no longer afford to fund on its own major fighter aircraft projects.

Mr Martre has been in the eye of the storm on the highly competitive world helicopter market. A much-vaunted Franco-German project decided two years ago to build a joint anti-tank helicopter for the 1990s, for which Aerospatiale and MBB have been trying to pool resources in a Munich-based company. It has started to come apart at the seams, because of widely differing specifications between the French and German military authorities.

The idea put forward by Mr Andre Giraud, the Defence Minister, that Aerospatiale should take over responsibility for building the helicopter, in return for French acceptance of German expertise in the construction of a joint tank, remains for the moment a gleam in Mr Martre"s eye.

Mr Martre also became caught up in the Westland affair earlier this year. He described as a champion of Britian's national dignity Mr Michael Heseltine, the former UK Defence Secretary who resigned after urging a European solution to the company's problems.

Aerospatiale was a member of the European consortium trying to bid for Westland. Although Aerospatiale is withdrawing, as it promised, some subcontracting work from Westland following its take-over by Sikorsky, Mr Martre is diplomatically keeping the door open to possible continued co-operation with Westland if the British government decides to go ahead with the mooted NH-90 five-nation transport helicopter project.

As another sign of the need for diplomatic skills in the armaments business, Mr Martre, during the last year, has become progressively warmer to the idea of participation by Aerospatiale in the US Strategic Defence Initiative.

He does not believe the programme will lead to large contracts for European companies: Aerospatiale is now pushing for European prowess in anti-missile systems — an area where it is co-operating with Thomson to try to develop a embryonic European anti-missile shield — to be recognised in US planning on SDI.

Whatever the risks inherent in Aerospatiale's business, which last year was concentrated 60 per cent on exports, Mr Martre at least is not losing any sleep over the Government's privatisation plans. As the company which makes the ballistic missiles for France's nuclear deterrent, Aerospatiale is definitely not a candidate for sale to private investors — and Mr Martre, aged 58, is one of the handful of nationalised industry bosses in no danger of losing his chairmanship in the next few months.

David Marsh

Builder who bucks the trend

Profile of FRANCIS BOUYGUES, head of France's biggest construction group

FRANCIS BOUYGUES is the French equivalent of an American busines success story. A robust self-made man, he has transformed his construction company with annual sales of FFr 1m (£93,000) and employing barely 30 regular workers 35 years ago into one of France's biggest private group's with estimated sales of FFr 46bn this year and 49,000 employees on the payroll.

After the recent acquisition of a 51 per cent stake in Screg, France's second largest public works and construction company, the outspoken 63-year-old Mr Bouygues claims he now heads the largest construction group in the world in terms of sales, even larger than Japanese groups like Shimuzu or Taisei or American companies like Bechtel or Fluor.

Despite the recession in the construction business in France and the decline in large international public works orders, Bouygues seems to have managed to buck the trend in the industry by continuing to see its profits grow. Last year they totalled FFr 468m and Mr Bouygues now expects them to rise to about FFr 700m—FFr 800m by the next two years.

Although Screg was on the verge of bankruptcy, Bouygues expects its new subsidiary to break even this year and return to the black the following year. In any event, for an ultimate cost of about FFr 500m, Mr Bouygues believes that he has pulled off a good deal with Screg, especially by acquiring what he believes are Screg's strong assets in the road construction business.

After building some of the world's largest construction projects including the University of Riyadh and the Bubiyan bridge in Kuwait, Bouygues is now involved in the Channel Tunnel twin bore fixed link rail project. He campaigned actively for the project as a leading member of the scheme's French consortium France-Manche.

Mr Bouygues, who says he is interested in seizing any good business opportunity which presents itself, has also been busy diversifying. After acquiring a US architecture and engineering company, Bouygues took over SAUR, France's third largest water distribution company, and bought two electrical companies. More recently, he teamed up with Mr Bernard

Francis Bouygues who claims largest world-wide sales

Tapie, the young French entrepreneur who has been building a business empire by taking over bankrupt companies, in a battery venture.

Mr Bouygues' appetites and ambitions, which match the huge new headquarters he is building himself outside Paris already dubbed his Versailles corporate palace, appear to be insatiable. He is now keen to diversify into the deregulated French broadcasting sector and has announced he is interested in buying a major stake for FFr 500m in TF-1, France's biggest state television network due to be privatised soon by the conservative government.

After buying control of Screg and his investment plans in television, Mr Bouygues will still have about FFr 2.8bn in his kitty. Indeed, he is regarded as possibly one of the key players in the imminent privatisation of state financial and industrial groups.

In the past, he has already tried and failed to buy a French insurance group, and last year he did not succeed in his efforts to gain control of Framatome, the French nuclear power plant manufacturer. But he says he now has "absolutely no regrets" that he failed to acquire control of that company.

True to his hard-nosed business sense, Mr Bouygues says he will not buy anything at any price. At present he regards French Bourse prices exorbitant. "At these prices, I wouldn't buy any nationalised assets to be privatised," he remarks, adding that the high price of shares could ultimately undermine the Government's privatisation plans.

Asked if the shares of his company were also overvalued, he replies with his characteristic lack of modesty: "Of course not."

Paul Betts

Telecommunications

Gradual deregulation

THE new conservative Government has opted for a gradual step-by-step approach to telecommunications deregulation, in sharp contrast to its controversially swift privatisation and deregulation programme for television broadcasting.

This cautious attitude to the deregulation of the telecommunications sector is hardly surprising. Over the past 10 years telecommunications in France have become one of the flagship industries. In many fields, France has taken a technical lead in communications, developing new services like electronic telephone directories, videotex, advanced business communications networks and picture phones, among other systems and new products.

In public switching it has been active in developing and installing digital switches and exporting its technology. Telephone services themselves have expanded dramatically, with subscribers growing from 2m in 1955 to 23m today.

To satisfy the new demand and avoid the risk of certain regions becoming over-equipped, the French telecommunications authority succeeded last autumn in changing the entire dialing system overnight, a technical feat never before achieved on such a scale.

Against this background the new government, which is committed to free - market economic and industrial policies, is treading softly to avoid disturbance of such a strategic sector. The first step in deregulation is to open the market to advanced value-added telecommunications services and networks ranging from videotext to private business networks to private competition.

Already a number of major contenders have positioned themselves to take advantage of the deregulation of this telecommunications sector, with IBM linking up with Paribas and Olivetti (itself closely associated with AT and T) teaming up with the French Suez financial institutions.

But if the market for so-called value-added networks is to be deregulated quickly, Mr Gérard Longuet, Secretary of State for Posts and Telecommunications, is giving himself 18 months to study the deregulation of basic telephone services.

Meanwhile, a new independent watchdog agency called the Commission Nationale des Communications et Libertés (CNCL), modelled on the US Federal Communications Commission, is to be set up and a bill to regulate competition in the telecommunications sector would be drawn up in coming months.

Unlike British Telecom, there are no plans as such to privatise the French telecommunications authority—the Direction Générale des Télécommunications (DGT). But the DGT will see itself transformed into a state enterprise with a similar statute to that of SNCF (national railways) or Eléctricité de France. This means that it will have to report its accounts like other industrial groups as well as pay *conventional* business and value-added taxes.

So far the DGT has been a vast empire controlling not only telecommunications services but also responsible for the support of the telecommunications industry and the French electronics industry in general. As well as financing the country's electronics programme—the so-called "filière éléctranique"—the DGT also contributed substantial funds to the general state budget.

With the new statute and deregulation all this will change. Responsibility for the telecommunications and electronics industry has now shifted to the Industry Ministry, while the DGT will be transformed into an essentially service-oriented concern.

While keeping the DGT firmly in the state orbit, however, the government intends to give it enough flexibility to shed eventually some of its subsidiaries to the private sector and allow other subsidiaries to private communications groups.

Indeed, Mr Alain Madelin, the Industry Minister, said recently he would see no objection to the DGT taking a 10 per cent *stake in the joint* venture between IBM and the Paribas bank to offer value-added communications services to France.

The Chirac Government is taking an equally cautious approach to the opening of the French public telephone switching market to a foreign supplier. For the past year there have been lengthy negotiations between the Compagnie Générale d'Eléctricité (CGE), the nationalised electronics group which controls the Alcatel telecommunications company and American Telephone and Telegraph.

The idea is for AT and T to assist CGE in its efforts to penetrate the US market with Alcatel's E-10 digital switch system. In turn, AT and T would gain a 16 per cent share of the French public switch market by linking up with CGCT, the troubled state telecommunications group formerly owned by ITT.

A government decision on the CGE-AT and T deal is expected to be taken soon, but before doing so it wanted to review the entire dossier and possible alternatives. The deal is crucial both for the French telecommunications industry and Alcatel's U.S. ambitions as well as for AT and T which, after deregulation and the break-up of the Bell telephone system in the US, has been seeking to enter new Western markets.

Paul Betts

Broadcasting

Privatisation plans sparks row

MR FRANCOIS LÉOTARD, one of the most popular leaders of the French right and a main spokesmen for the country's new breed of liberal politicians, has unleashed a major political controversy with his plans to deregulate broadcasting.

As communications and culture minister in the new government, Mr Leotard, who openly nurtures longer-term presidential ambitions, has also launched a bold and spectacular plan to privatise France's oldest and biggest state television network, TF-1.

The privatisation of TF-1 in coming months will be the first time a major country has sold off a state channel. It is also likely to serve as a model, and test the ground for other privatisations in the banking and industrial sector. And it will be followed at length by the reform and eventual privatisation of another state television network, the regional channel FR-3.

The left-wing opposition, television journalists and large numbers of viewers have already expressed their alarm at the speed and scale of the new government's broadcasting reforms. But Mr Léotard has also considerable public and political backing, and has so far done an eloquent job of defending his deregulation and privatisation programme.

Although the previous Socialist government had already begun the process of broadcasting deregulation, Mr Léotard intends to take it much further, as well as changing some key decisions taken by the former left-wing administration.

The Socialist government had opened television broadcasting in France to private commercial channels and, before the legislative elections that it lost in March, granted concessions to private groups. These will allow them to operate channels on France's direct broadcasting satellite which was due to be launched this year but has now been postponed till next.

The Socialists provoked a major political row when they decided to grant the concession to operate France's first nationwide private commercial television channel — the so-called Fifth Channel — to a group including Mr Jerome Seydoux, chairman of the large Chargeurs transport group, and Mr Silvio Berlusconi, the Italian television entrepreneur. The new government now plans to revoke the concession to Mr Berlusconi and Mr Seydoux as well as that granted for channels on the French direct broadcasting satellites.

These private channels are to be offered up again for new bids from investors. Bidding has already started behind the scenes for TF-1. But the Government does not want a single group of powerful private investors to take full control of the large state television channel.

Mr Leotard has disclosed that the Government will offer 50 per cent of the shares in the privatised channel to its new operator and main investors, with 40 per cent being offered to the public and 10 per cent to employees of the channel. Moreover, the eventual operator of the channel will have to give guarantees of quality and support for French made programmes.

With TF-1 immediately privatised and the regional FR-3 state network to follow later, the Government has decided to keep Antene-2, the second state channel which, unlike TF-1, is profitable, in the public orbit. The idea behind the broad plan is to have a state channel competing against several private channels. Unlike Britain, the state channel will be competing against many more private commercial channels. It will also be able to continue to fund itself for the time being at least with advertising revenue.

The broadcasting industry will also be regulated by a new communications commission called Commission Nationale des Communications et Libertes (CNCL), which will replace the existing French broadcasting High Authority and whose powers will also extend into the telecommunications sector.

Mr Leotard claims the new, more powerful, commission will be far more politically independent than the previous High Authority. Its task will be to watch over programming standards, grant airwave concessions, and to regulate the growing cable and satellite television markets, among other functions.

Already a number of major private investors have announced their intention to bid for TF-1 or develop their presence in the new French private television broadcasting market. Although currently in the red, TF-1 is regarded as an attractive and powerful network to control. Estimates of the cost of acquiring the chain range between FFr 2.5bn and FFr 3bn.

Among the main candidates to take over the state channel is the group of Robert Hersant, the French right-wing press baron who owns the daily newspaper Le Figaro; the Hachette publishing group (which recently took control of the Europe 1 broadcasting company); the Moet-Hennessy champagne and cognac group; Sir James Goldsmith; Mr Bernard Tapie, the French entrepreneur; as well as Mr Seydoux and his Italian partner Mr Berlusconi.

The Luxembourg-based broadcasting group Compagnie Luxembourgeoise de Telediffusion (CLT) also has ambitious designs on the French broadcasting scene.

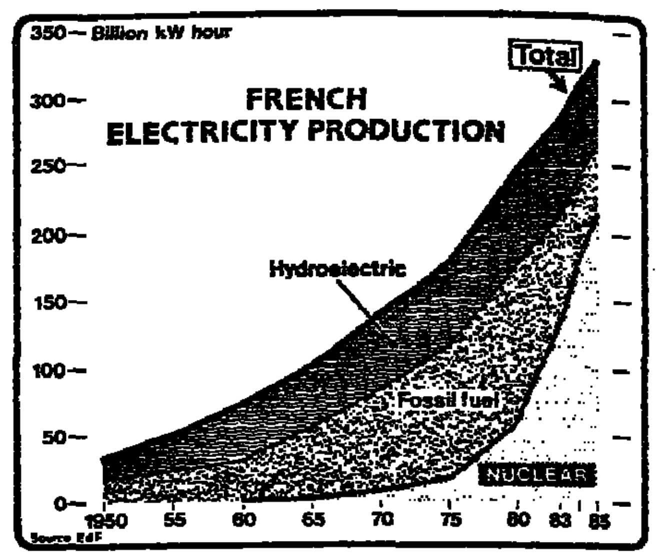
The intense manoeuvring of major private investors, coupled with the extremely fierce and vocal controversy caused by the broadcasting reforms, reflect the unusually high level of public and political interest provoked by television broadcasting in France.

A strike of the state networks followed the announcement of the privatisation of TF-1; and Mr Jacques Chirac, the Prime Minister, further fuelled the row by questioning television journalists' impartiality and accusing them of distorting the actions undertaken by the Government.

Mr Léotard has sought to calm the passions raised by the deregulation programme.

But the communications and culture minister will need to exert all his considerable charm and powers of persuasion to prevent the television debate degenerating into a major political confrontation and possible embarrassment for the Government.

Paul Betts



Energy

Weaker dollar benefits prices

CHEAPER OIL is bringing an economic windfall for the new right-wing government. But France, with Japan and Italy one of the industrialised countries most dependent on foreign energy sources, is banking as much as ever on nuclear power to win its goal of meeting half its energy needs from French resources by 1990.

Despite the fall in oil prices and the Chernobyl disaster, the leitmotif of France energy policy can hardly fail to be anything else but nuclear power.

Under a policy formulated after the first oil price shock in 1973, which successive governments of Right and Left have put into operation with remarkable consistency, the country has built up its nuclear power share of electricity generation to 65 per cent, accounting for 25 per cent of the country's total primary energy consumption.

France will profit from the weaker dollar and this year's 40 per cent fall in the dollar price of oil to reduce significantly this year its bill for energy imports, which last year came to FFr 180bn. This is the main factor behind the expected return to trade surplus this year.

Gaz de France, which reduced French industrial gas prices by 23 per cent in April, has also been able to renegotiate prices on long term gas import contracts with Norway, the Netherlands and the Soviet Union to bring them into line with lower oil prices.

Prices of gas imports from Algeria, France's main supplier, which made up 27 per cent of sales last year at a price above the world level, have also just been brought down.

The need for a long-term policy to reduce France's vulnerability to supply and price fluctuations triggered off Gaz de France's mammoth contract with Norway secured earlier this month. Along with West Germany, Belgium and the Netherlands, France will import gas from the Norwegian Troll field in the North Sea from 1993 to 2020 under a deal worth perhaps FFr 200bn for the French shipments alone.

The additional supplies from the North Sea will compensate for the steady running down of France's indigenous supplies of natural gas from Lacq, in south-west France during the rest of the century. Home gas output accounted for one-quarter of consumption in 1984, but it will be down to only 10 to 15 per cent by 1990 as the Lacq output diminishes.

Of primary energy consumption of 192.6m tonnes of oil equivalent (TOE) last year, 0.5 per cent up on 1984, oil accounted for 43 per cent, gas 12 per cent, coal 12.5 per cent, electricity 30 per cent and new energy sources (such as solar power) 2 per cent.

Taking into account France's domestic coal and gas output, and the 19 per cent of electricity generated by hydro-electric stations, home-based resources accounted for 44 per cent of consumption.

This is up from 42 per cent in 1984 and only 22 per cent in 1973, when nuclear power accounted for only 1.8 per cent of French primary energy.

Although the French nuclear industry is suffering from a fall in new plant orders to only one 1,300 MW reactor a year, compared with the peak of six to eight 900 MW units a year ordered in the 1970s, the further build-up of nuclear energy to 1990 is already programmed.

More than in all nuclear power generating countries other than perhaps, the Soviet Union, plant decision in France have proved possible to carry out over long lead times with relatively little change from original plans.

Because of reduced demand caused by slower growth and energy savings, France has in fact revised down substantially its earlier estimates of nuclear energy capacity by 1990. In 1975, for instance, France was forecasting the installed capacity by 1990 would be 90,000 MW—65 per cent higher than it is likely to be.

But the revisions have been much less than those made for the UK, West Germany, Japan or the US. The US figure, for example, has been revised downwards almost fourfold. President Mitterrand, underlining the degree of predetermination of the French programme, came to power in 1981 declaring that he was opposed to the "all-nuclear" policy adopted under the preceding administration of President Giscard d'Estaing.

Even so, as a result of decisions made during the plant-building drive of the 1970s, nuclear power capacity doubled between 1981 and 1985 with 23 stations brought into full service during those years.

French nuclear capacity at the end of last year (not all of it in full industrial service) comprised 44 power stations, made up of four older gas-graphite reactors, 38 pressurised-water reactors and two rapid reactors.

With the already favourable economics of French nuclear plants improved still further by much better capacity use over the period (rising to 75 per cent last year), nuclear energy output last year came to 213bn kWh, more than twice the 103bn kWh generated in 1982 and second only to the US (with 380bn kWh) in the world.

Following the Chernobyl disaster the confidence of the Commissariat a l'Energie Atomique and Electricite de France in the country's chosen nuclear strategy has shown no signs of weakening. It may even have been strengthened.

Anti-nuclear pressure groups, in significant contrast to West Germany and the UK, are small and fragmented and the French legal system gives priority to the state rather than the individual citizen in matters of nuclear contestation.

Little is, therefore, likely to delay the bringing into operation of up to 1991-92 of the 17 plants now under construction. A capacity of about 55,000 MW of nuclear power by 1990—compared with 39,000 MW last year and likely to produce 75 per cent of French electricity needs—is therefore almost an arithmetical certainty.

What is open to doubt is whether Electricite de France can succeed to the extent required in its efforts to promote electricity consumption. Continuing rapid substitution of other fuel resources by electricity in industry, as well as further growth in exports will be needed to reach EdF's optimal forecast of 400bn kwh of total electricity demand (including exports) by 1990, compared with the 329bn kwh generated in 1985.

Significantly, EdF believes that the chances of boosting exports to neighbouring countries to the targeted 40bn kwh by 1990 (from 23bn kwh last year) have been boosted by the Chernobyl disaster. This is because increased opposition to nuclear power will slow down or possibly halt plant commissioning in much of the rest of Europe.

David Marsh

Agriculture

The honeymoon is over

MR JACQUES CHIRAC, the French conservative Prime Minister, promised during the election campaign that he would "revalue the role" of the Ministry of Agriculture in France.

He is a former agriculture minister himself. But few would have believed that he would go as far as giving Mr Francois Guillaume, the leader of the powerful French farmers union FNSEA, the agriculture portfolio in his right-wing government.

The appointment of the tough and intransigent union leader was one of the biggest surprises in the new administration. It imediately sent shudders down the spines of officials in Brussels used to the hardline, and at times spectacular, tactics of Mr Guillaume.

After all, it was Mr Guillaume, a 54-year-old farmer who likes to call himself "a peasant," who laid siege to the European Commission building. In France the "kaiser," as he is known by his former union, regularly sent out his members to paralyse large parts of the country to protest against government or European farm policies.

But Mr Guillaume, who made life extremely difficult for former Socialist agriculture ministers in France, is already beginning to find life on the other side of the fence complex. His appointment was an obvious political move by Mr Chirac to try to win over the powerful farming community, and to prevent any tensions from the farming sector complicating further his difficult political balancing act of cohabiting with President Francois Mitterrand.

Mr Guillaume, in his customary style, rushed into action from the very start. He was among the first new ministers to hold a press conference and to reassure the farming community that the Government would introduce measures to support farmers. Within a week of taking office, he was in Brussels defending French interests.

The initial results seemed promising. Mr Guillaume suggested that the Government would support French farmers with several billion francs of fresh aid. At the same time, the devaluation of the franc in the European Monetary System currency realignment in April was seen as helping Mr Guillaume in his efforts to raise domestic farm prices.

But the honeymoon was soon over for Mr Guillaume. The currency realignment revived the traditional controversy over monetary compensatory amounts (MCAs). France, and Mr Guillaume especially, have long campaigned for the abolition of this system which offsets the advantages of a currency devaluation for a country's food exports.

Moreover, the MCA system hits French cereal and milk producers, who were largely responsible last year, together with wine-growers, for the 22 per cent rise in the French food industry trade surplus of FFr 31.1bn, compared with a surplus of FFr 25.4bn in 1984.

Cereal producers are also among farming categories that have seen their incomes fall more sharply than other sectors, with an income decline of 19.5 per cent last year. Wine-growers, in contrast, saw their income rise by 30 per cent. But overall, farming incomes declined again in France last year by 4.7 per cent.

The promises of billions of francs of fresh support have so far been matched only by a rather modest aid package worth about FFr 300m, although Mr Guillaume has said that more aid would be made available at the end of this year and next year.

So far, the Government has reduced interest rates for subsidised loans to farmers, by two points for young farmers and by about 1 per cent for other categories. At the same time, it has lowered the value added tax on farm fuels. But the farmers claim the VAT measure is largely symbolic and does not go very far in practice.

The Government has also announced a further FFr 400m in aid to help the restructuring in the milk sector, in the light of the general milk reduction programme. It has also promised to improve farmers' pensions, further improvements in loan terms, and the lowering of social charges for fruit and vegetable growers.

But Mr Guillaume has found the mood at large farm-industry gatherings increasingly cool. While farmers have clearly welcomed his appointment, they are impatient for their minister to deliver the goods. But the minister has been caught with the inevitable budgetary constraints of the Government, and the fact that agriculture, for all its weight in the French economy, is not one of the Government's immediate priorities like, for example, its industrial and banking privatisation programme and the change in French redundancy laws.

As Minister of Agriculture, Mr Guillaume has also had to tackle two other controversies on different fronts. The recent wave of takeovers and the growing interest of foreign investors in the French food products business is increasingly worrying the Government. The thrust of the new foreign investment wave has come from Italy.

Mr Carlo de Benedetti, the chairman of Olivetti, who also controls the Italian food group Buitoni, has been at the forefront of these foreign investment moves. Apart from seeking to take control of Valeo, the leading French car equipment company, he has just acquired 70 per cent of Davigel, the leading French frozen fish distributor, as part of his efforts to expand Buitoni's businesses in France.

At the same time, the Italian Ferruzzi agribusiness conglomerate, has increased its stake to 50 per cent in Beghin-Say, France's biggest sugar group. For its part, BSN, France's biggest food group, has just absorbed Generale Biscuit, the biscuit maker, in a merger many regard as a defensive move against an eventual foreign raid on BSN. Lesieur, the edible oil group, is also now regarded as vulnerable to takeover. All these manoeuvres have clearly unsettled the food industry, and are causing concern over French national interests to the authorities.

The other controversy involving Mr Guillaume even more directly is the future of Credit Agricole, the French farmers' co-operative bank, which is one of the world's largest banks. It has been earmarked for the first major reshuffle by the Government at the top of a big state-controlled banking or industrial institution.

The Government has replaced Mr Jean-Paul Huchon, the chief executive of the Caisse Nationale de Credit Agricole, the bank's central organisation with Mr Bernard Auberger, a director of Societe Generale, the large state-held commercial banking group. Mr Huchon, one of the closest aides of Mr Michel Rocard, the former Socialist agriculture minister, was widely expected to be one of the first state bankers to be replaced by the new government.

But the Government wants to go even further, Mr Guillaume recently confirmed to his former FNSEA union that the Credit Agricole was included in the right's privatisation programme. But the farmers have already expressed misgivings about privatisation of the co-operative banking group—and the impact this may have on their business. The issue will be yet another test of Mr Guillaume's skills in persuading the farming community that, although no longer their union leader, he is still acting in their best interests.

Paul Betts

Winegrowers, in contrast to cereal and milk producers, saw their income rise by 30 per cent last year

Food Industry

Aggressive chase for acquisitions

THE TAKEOVER battles that have been raging in the US and British food industries have now begun to show up some of the weaknesses of the French food sector. Though the country's second largest earner of foreign exchange after the car industry, the French food industry is made up of companies which are too small by international standards and which are thus vulnerable to takeover bids.

The recent acquisition by BSN, France's largest food and drinks group, of Générale Biscuit, the country's largest biscuit manufacturer and third in the world, is the first step in what seems likely to be a growing concentration within the French food sector. At the same time it could pave the way for more aggressive moves by French groups including BSN — to enlarge their market share abroad through further acquisitions.

BSN described the takeover as a natural complement to its own biscuit activities. But the industrial logic for the move is less clear than BSN's need to increase its size so as to make the group itself less vulnerable to outside takeover bids.

With Générale Biscuit's FFr 7bn (£651m) of sales, BSN will now have a turnover of FFr 35bn. This makes it a giant in French terms, as Source Perrier, the number two in the industry in terms of sales with interests in soft drinks and cheese, has a turnover of only FFr 11bn.

It also gives BSN the size to take on Mr Carlo Benedetti whose Italian-based food group centred around Buitoni, the pasta manufacturer, is making more inroads into the French market.

The move towards increased concentration was foreseen by Mr Claude-Noel Martin, the former chairman of Générale Biscuit who has now withdrawn from the group. He argued for a type of federal link up between European biscuit manufacturers that would give them the power to finance the increasingly heavy costs of research and of establishing world wide brand names.

In this race Perrier, for instance, can afford only to spend about $12m a year on marketing in the US—its new flavoured mineral water as against the $40m or more being spent by the major US groups on each soft drinks brand names.

But other pressures, apart from fear of hostile takeovers and rapidly growing research and marketing costs, are pushing French groups towards further concentration.

Some of the leaders of the French Food sector like Mr Antoine Riboud of BSN or Mr Gustave Leven of Source Perrier are close to retiring. The French retail sector is alson in the process of a shakeout with an increased concentration among the major supermarket chains. That is in turn forcing the food manufacturers to offer a large range of products.

At the same time, the squeeze on living standards in France in recent years as a result of the Government's clampdown on wages, has put pressure on company profits. This phase may be coming to an end—though Lesieur, the edible oils group and Olida Caby, the charcuterie concern, are still complaining of a down turn in the market—with BSN expecting a stronger profit growth this year.

David Housego

Venture Capital

Small is beautiful

THE CHIRAC administration faces the task, familiar to all incoming governments in France, of winning the hearts of the small business community. A consensus now rules that, whatever the power and scope of large French companies, it is the small ones that from now on will be creating jobs.

The industry ministry is studying a range of proposals to try to boost business creation by giving easier fiscal treatment to entrepreneurs, following on from policies brought in by the Socialists.

A more favourable climate for setting up companies is partly due to the economic difficulties of larger groups where managers and researchers now face a less comfortable life than in the past. The overall pace of business creation has accelerated in the last two years after a drop in activity between 1981 and 1983.

There is some dispute over the significance of the figures, as many new companies disappear in their first two years without formally declaring liquidation. But the Credit d'Equipement des Petites et Moyennes Entreprises, the small and medium business financing agency, records that about 103,000 companies were set up last year, 17 per cent more than in 1984. Business failures increased by 7 per cent to 26,000.

Among the new measures being considered by Mr Alain Madelin, the Industry Minister, include extension of tax breaks already given to newly created companies under legislation brought in by the Socialist Government.

Financial organisations are also pressing for fiscal treatment for employees putting together management buy-outs to be made more liberal. This would above all allow bought-out companies to benefit from tax exemptions when an outside buyer cames in to purchase the company.

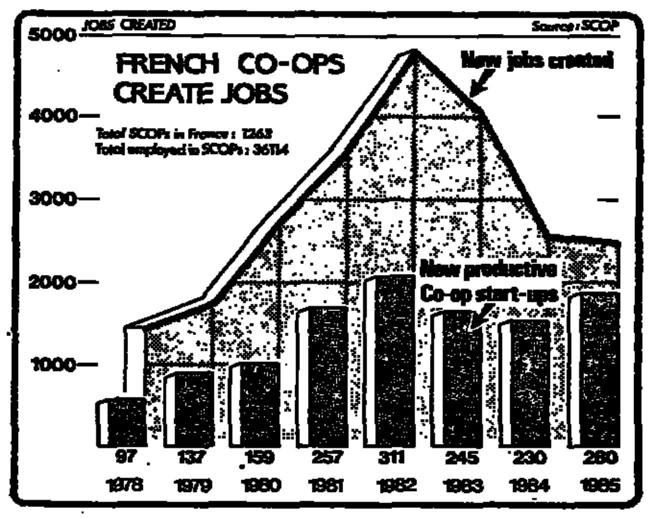
Under rules introduced in July 1984, easier tax treatment for the holding company owning the operating concern, and for managers taking part in the buy-out, is granted only if the majority of a bought-out company is acquired by existing employees. According to Mr Michel Biegela, head of the French arm of Investors in Industry, this condition, together with the bureaucratic way that the finance ministry vets buy-outs before deciding tax exemptions, is holding up the number of deals being carried out.

Another area of government attention concerns the wider question of attracting venture and development capital into small and medium companies, including those involved in high-technology areas.

The French Venture Capital Investors Association (AFIC) now estimates that its 40 members manage funds of FFr 4bn ready for investment, of which FFr 1.9bn has been placed.

Last year, FFr 600m was invested, benefiting 200 companies, AFIC estimates. A cloud passed over the French venture capital scene in May when Tigre, a high flying image processing company which had attracted FFr 30mn in capital, when into receivership.

David Marsh



France 8

Banking

Hour of reckoning

FRENCH BANKS are starkly aware of their relative vulnerability in an increasingly competitive international environment.

As the Chirac government draws up its plans for progressive sales of nationalised banking stakes to private investors, the statistics underline the efforts which banks preparing to be shorn of state backing will have to make to hold their own on the world stage in coming years.

According to the London-based IBCA banking research group, French banks' average equity/assets ratios — even though improved during the past year — is the lowest among banks in the main 12 industrialised countries.

The capital/assets ratio of the Big Three French banks — Banque Nationale de Paris, Credit Lyonnais and Societe Generale — averaged 1.75 per cent last year, according to The Banker magazine. This compares with 3.2 per cent for Deutsche Bank, Dresdner Bank and Commerzbank of West Germany.

BNP's pre-tax profits last year were half Deutsche Bank's — even though BNP employs 59,000 people, 10,000 more than Deutsche.

French banks have the most widely-spread world networks after the US institutions, level pegging with British banks. The statistics are worth quoting because they show the extent to which French institutions have been generally protected from having to make harsh decisions during two decades of hectic growth at home and abroad.

No one in French banking however now doubts that the hour of reckoning has arrived. It is significant that a consensus has grown up in the last two years, well before the arrival of the new Government's privatisation programme, on the need for French banks to strengthen their capital resources and boost profitability to match international standards.

The Socialist Government's nationalisation of 36 banks and the Paribas and Suez financial groups (adding to the Big Three institutions nationalised by General de Gaulle's post war government in 1945) was no doubt an overdone move responding to 1960s ideologies rather than 1980s realities.

The state takeovers, with their drawbacks and dashed expectations which became almost immediately apparent, however had a highly useful cathartic effect.

They underlined that, if France was to remain an efficient industrial power capable of raising large foreign loans at competitive margins (very useful to plug the balance of payments deficits of 1982 and 1983), there was no choice but to strengthen rather than weaken the backbone of the banking system.

A number of long overdue *reforms were subsequently* carried out by the Socialists which would have to be put into action anyway. These include the bailing out at public expense of loss-making *banks led by the Vernes and* Rothschild institutions, whose former shareholders were indemnified on grotesquely favourable terms.

The nationalisations also give *the right-wing Government the* chance of making large capital gains for taxpayers by profiting from the general increase in stock exchange prices since 1982. The Paribas and Suez *groups for instance are now* worth four times the price for which they were acquired four years ago.

Efforts made by big French banks since 1983-84 to bolster *their capital resources and* improve profitability have already started to bear fruit.

Starting with the then innovative issue by Société Générale in 1984 of non-voting pre*ference shares, almost all the* large banks by now have used this means to raise equity capital without diluting the state's control of voting shares.

The biggest issues by Suez, *Paribas, Banque Nationale de* Paris and Crédit Lyonnais have all come this year in implicit or explicit preparation for denationalisation. The latter two issues—FFr 5.3bn for BNP *and FFr 4.3bn for Crédit* Lyonnais (the two largest-ever Paris equity-raising exercises) —have involved non-preferred shares which will be easier to turn into full voting capital *when the time for privatisation* arrives.

Banks have also been allowed by the Socialists to continue stocking up provisions on doubtful debts at home *and abroad, both to compen*sate for an increased level of risks during the 1980s and also to make up for the banks' general international undercapitalisation.

On the profits side, banks have benefited clearly from continuing high French interest rates during 1985. Additional factors have been the effects of the over-valued dollar in *boosting overseas earnings, and* of booming capital market conditions in increasing the banks' relatively under-developed commission revenues.

On a consolidated basis, BNP turned in a 22 per cent rise in net profits for 1985, Credit Lyonnais 18 per cent, Société Génerale 41 per cent, Banque Indosuez and Credit Commercial de France 12 per cent. The Paribas and Suez groups chalked up increases of 29 per cent and 46 per cent respectively.

There are several reasons for thinking the going for banks will now be rougher as privatisation approaches. In order to offset the heavy cost of cheque clearance, they have persuaded the administration—after years of lobbying—of the need to bring in tariff charges for cheque accounts. These are likely to be introduced before the end of the year, with Credit Agricole already announcing its plans to introduce charges in July.

On the debit side, the fall in money market interest rates which has accompanied disinflation is starting to pose severe problems for the structure of the largest retail banks. An estimated 7 to 8 per cent of their total deposits is spent on running their large retail networks.

Progressive deregulation on the financial markets reflecting a mixture of intellectual contagion and competitive pressures from New York and London—will also tend to lower margins for those banks which have not carved out finely honed specialist niches.

As the banks make further efforts to increase productivity through large investments in electronics and cashless banking technology, accelerated cutbacks in traditionally protected bank staff will be unavoidable in coming years.

Denationalisation now requires that the banks make significant further strides in profitability to attract private buyers. whether this earnings improvement comes through a tightening up of banks' internal management, or from an externally-derived boost to margins caused by higher inflation and a brake on deregulation, is an intriguing question.

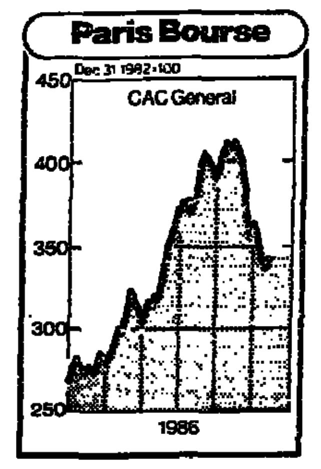
David Marsh

Top ten French banks

(end 1984)

French ranking	World ranking		Assets ($bn)
1	7	BNP	99.0
2	9	Credit Agricole	92.4
3	10	Credit Lyonnais	90.5
4	11	Société Générale	87.1
5	31	Paribas	56.3
6	77	CIC Group	27.9
7	83	Indosuez	25.9
8	99	Banques Populaires	20.3
9	109	BFCE	18.5
10	117	CCF	16.8

Source: The Banker



Financial Services

New funding techniques

FRANCE'S long-somnolent and over-regulated financial markets are facing up to a period of unprecedented change and competition sparked off by events both inside and outside the country.

An explosion of new funding instruments and techniques, together with progressive coalescence of market sectors previously split up by demarcation lines, is spilling over from London and New York.

Paris has probably shown more flexibility and imagination than either Frankfurt or Zurich over the past 18 months in adapting to the challenge of world-wide deregulation.

In part, this has been because France has had—and still has—more ground to make up. The previous Socialist Government relatively quickly recognised that the weakness of the country's capital markets *was a factor contributing to the* lack of financial muscle of the corporate sector, and to the competitive deficiencies on the economy as a whole.

Furthermore, the French Treasury under the socialist administration itself created a pressing need to adopt and foster more sophisticated funding techniques. Allied to the growing sophistication of corporate treasurers and fund managers, the Government's requirement to issue and manage much higher volumes of debt has been an important factor behind innovation.

The welter of structural change has coincided, happily with a period of booming share prices, falling interest rates and sharply rising trading volume. The Paris bourse has also started to see a growing trend towards hostile takeover bids—even though such deals are plainly still small fry by New York or London standards.

During the period from March 1983 to the downturn registered in mid-May, the Paris equity market, measured by the CAC Stockbrokers' Asso*ciation index, rose nearly four*fold.

Innovations over the last three years included the setting up of a, so far, hugely successful "second marché" or unlisted market to allow small or medium-sized companies to float shares on the bourse, legislation allowing nationalised companies and banks to issue non-voting shares and loan stock; a financial futures market; and the introduction of certificates of deposit and commercial paper, the latter five months before the equivalent London market started.

The bourse in March started a morning trading session to accommodate greatly increased demand to deal in the most important stocks.

The market can *still* be notoriously thin, and prices in the Palais Brongniart are still registered in chalk. (As a sign that things are moving, orange chalk has been introduced to mark the closing prices of the morning trading). But, several years after the idea was first considered, computerised dealing is planned to be started on an experimental basis later this summer.

The new right-wing Government is now preparing an enormous test for the absorptive qualities of the equity market in the shape of its ambitious five year privatisation programme.

It is also allowing corporate treasurers and investment *institutions greater freedom in* their portfolio and foreign exchange decisions with the substantial liberalisation of foreign exchange controls put into place last month.

Combined with the ending, for the time being, of the downward trend in interest rates, uncertainties over the way cohabitation is working between Messrs Mitterrand and Chirac, *and a flood of non-voting issues* from nationalised enterprises, all these factors produce a new set of variables for the markets to chew over.

The *frisson* which went through the equity and bond markets at the end of May and the beginning of June—over the three weeks to June 6 the CAC index fell by 18 per cent may prove to have been simply a temporary setback or a sign of entry into more permanently troubled waters.

If it is the former, the French markets will simply have gone through a necessary correction in their somewhat helter-skelter growing up phase.

If, on the other hand, the unsettled period lasts longer than a few weeks, question marks may arise over whether the markets need a longer pause to digest the new burdens they are being asked to bear. In particular, the Government might have to lower its sights by accepting a somewhat less rapid than planned privatisation schedule to avoid the danger of further strains in coming months.

D. M.

Uncertainty on future role

Profile of CREDIT AGRICOLE, the farmers' co-operative which has just appointed its third chief executive in 18 months

CREDIT AGRICOLE, the giant French farmers' co-operative bank, now has its third chief *executive in 18 months, just as* it is flying into the eye of a storm over its future role on the French financial scene.

Early this month Mr Bernard Auberger, formerly a director at Société Générale, the third largest nationalised bank, was appointed managing director of the bank's central organisation, the Caisse Nationale de Crédit Agricole (CNCA). He replaces Mr Jean-Paul Huchon, formerly chief aide to Mr Michel Rocard when he was Agriculture Minister in the Socialist government.

Mr Huchon's Socialist leanings had singled him out for removal by the new right-wing government, which exercises control over CNCA through the double tutelage of the Finance and Agriculture Ministries.

It remains to be seen whether Mr Auberger brings with him a new team to shake-up again the administrative structure of the bank, which saw the entry of several former leading officials in the Socialist government a few months after Mr Huchon was nominated in January 1985.

Mr Auberger will have to steer a delicate passage between the right's policy of phasing out the state's rôle in the Crédit Agricole affairs and the demands of the agricultural community that this reform should not result in financial disadvantage for farmers.

Mr Francois Guillaume, the Agriculture minister, who has his eye on some of the large capital resources backing up Crédit Agricole, has already spoken in favour of privatisation of the bank. The institution is not nationalised like the other big banking groups.

Removing the state's role boils down to turning the CNCA into a mutualist association owned by the group's network of regional banks and no longer subject to political decision-making by the Government.

This reform, under which part of the bank's capital resources could be siphoned off through the Government in aid for the farming community, would lower Crédit Agricole's impressive capital resources, which now total FFr 38.4bn.

It would thus be put in a fairer position to compete with other French banks, which have long complained of the favours given to Crédit Agricole due to its privileged *position as a distributor of sub*sidised credit to farmers.

The move might also cause it to lose its Triple A rating on Wall Street, where it and Paribas are the only French banks to benefit from the top rating.

The disparity between the earning power of the CNCA and the relatively shaky performance of the regions was underlined by results for last year, when the overall group net profit rose only by 6 per cent to FFr 1.3bn.

One of Mr Huchon's last acts before leaving was to announce that Crédit Agricole would be trying to boost its earnings capacity by bringing in service charges for cheque accounts, planned to vary from FFr 60 to FFr 120 per year, from July.

Underlining its efforts to develop further international skills in the agri-food sector, Credit Agricole is also moving ahead with foreign expansion plans. After accelerated openings of foreign offices in the past two years, it is now present in 16 countries through branches, representative offices or participations.

A Frankfurt subsidiary is to be opened in October with a Madrid branch planned for next year and a branch in Switzerland now under study.

D. M.

SECTION II – COMPANIES AND MARKETS
FINANCIAL TIMES
Tuesday June 17 1986

US flight booking dispute erupts

By William Hall in New York

THE long-festering dispute between major US airlines about the use of computer reservation systems has broken out again. Delta Airlines yesterday accused its arch rival, American Airlines, of siphoning off millions of revenues from other airlines through the use of its Sabre computerised reservation system.

Atlanta-based Delta Airlines yesterday filed a complaint with the Department of Transportation seeking an immediate investigation into what it termed American's "latest scheme to bias the display of its flights" in its Sabre computerised reservation system for travel agents. Sabre is the largest system of its kind in the industry and provides information about virtually every flight. The manner in which the information is displayed in Sabre has an important impact on airline bookings.

Delta, in common with several other airlines, is worried that Sabre works in favour of American Airlines' own business. Delta requested the Department of Transportation to assess "substantial civil penalties" against American. It also asked the DoT to direct American to retain all records relating to the bias scheme.

"American's Sabre bias scheme began before the ink was dry on government rules adopted in 1984 which outlawed such practices" says Delta. The rules were adopted after a comprehensive investigation of competitive abuses by the owners of the larger computerised reservations systems (CRS) including Sabre.

American's current practices continue "the very injuries to competition and consumers that were found to be the direct result of over CRS display bias," Delta alleged yesterday.

Sharp upturn for Bang and Olufsen

By Hilary Barnes in Copenhagen

BANG and Olufsen, the Danish hi-fi maker which has been troubled by recent heavy losses, has moved strongly out of the red for 1985-86.

Against a pre-tax deficit of DKr 26m, the group says profits for the year ended May 1986 will total DKr 30m ($3.86m) when the full accounts are finalised later this year.

The performance represents a return by Bang and Olufsen to its best profit levels. It made a pre-tax return of DKr 29.9m for 1982-83 before a major setback a year later and tumbling into the red for 1984-85.

For the second half of last year profits "ran way ahead of budget," the company says.

Coke to buy back BCI bottling unit for $1bn

BY TERRY BYLAND IN NEW YORK

COCA-COLA, the Atlanta-based soft drinks group, yesterday disclosed significant developments in its relationships with two of its top three US franchised bottling operators.

In a move to forestall any other prospective purchaser, Coca-Cola plans to pay about $1bn to buy in its bottling franchises from BCI Holdings, the company which acquired Beatrice Companies in a $6.2bn leveraged buyout earlier this year.

Coca-Cola also disclosed yesterday that merger discussions with JTL, a private company which is the largest of its bottler franchisees, have been "amicably discontinued." JTL will remain a free-standing company composed of properties owned by Coca-Cola, following the decision of some family members to keep the company independent.

The BCI deal, when completed, will leave JTL and Coca-Cola Bottling of New York as clear leaders of the 250 franchised Coke bottlers, which between them account for 72 per cent of Coke's bottle and can operations.

Coca-Cola has been actively pursuing a policy of restructuring its bottling operations and helped Coca-Cola Bottling of New York to retire from public and into private ownership six years ago. Further bottler acquisitions "remain an option," the group said, although there are no similar privatisation plans in the pipeline. The BCI bottling operations, ranging through California, Arizona, Nebraska, Kansas, Iowa and Canada, were the most profitable segment of the former Beatrice businesses, with turnover believed to be around $1.1bn and profits $100m.

Coca-Cola commented that the proposed deal with BCI was in line with its policy that bottling operations should be in the hands of strong, aggressive owners with high growth targets.

The leveraged buyout of Beatrice had raised the possibility that the bottling interests might be sold off, although both Coca-Cola and BCI denied knowledge of any rival offer. "When we looked for a strong, alternative owner, it turned out to be us," said Coca-Cola.

BCI Holdings was created by Kohlberg, Kravis Roberts, the specialist leveraged buyout firm which organised the acquisition of Beatrice in April. The proceeds from the sale of the bottling interests will be used by BCI to help pay off indebtedness incurred during the Beatrice buyout.

BCI dismissed as "strictly rumour" press reports that Tropicana, its brand leader fruit juice line was for sale, and said the product had played no part in the discussions with Coca-Cola.

The Coca-Cola/BCI deal remains subject to approval by both boards as well as the statutory waiting periods. Coca-Cola said it will finance the acquisition through debt.

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Volvo withdraws threat of legal action over stock market fine

BY KEVIN DONE, NORDIC CORRESPONDENT, IN STOCKHOLM

VOLVO, the Swedish automotive, energy and food group, has decided to pay the fine imposed on it by the Swedish stock exchange authorities for an "inexcusable" breach of its listing agreement earlier this year and has withdrawn its threat to take legal action.

Only 2½ weeks ago Mr Pehr Gyllenhammar, Volvo chairman, met the announcement of the authorities' disciplinary measures with an emotional outburst in which he accused Mr Bengt Ryden, the head of the stock exchange, of being "meddlesome." He threatened unspecified counter-measures and said that Volvo was on a "collision course" with the bourse.

Yesterday Volvo delivered to the Swedish Banking Inspectorate – the body which supervises the stock exchange – a long list of justifications for its disagreement with the findings of the stock exchange board.

It has stopped short of initiating any legal action however – a considerable climbdown from its original position.

Volvo was fined Skr 1.9m ($265m) for its failure to keep the stock exchange properly informed about its planned co-operation deal with Fermenta, the Swedish biotechnology and chemicals group. The deal, announced in January, collapsed a few weeks later when Fermenta was caught up in the turmoil surrounding its chief shareholder and then managing director, Mr Refaat El-Sayed.

In its letter to the banking inspectorate Volvo said that the grounds given by the stock exchange to justify the fine were unconvincing and that the bourse did not have acceptable reasons for making its judgment.

Volvo was also strongly critical of leaks from the stock exchange board made ahead of the official release of its report.

Mr Bengt Ryden said yesterday that the stock exchange had taken unspecified measures to avoid leaks in future but he maintained that the rest of Volvo's criticism was unjustified.

Volvo, the flagship of Swedish industry, clearly felt that its pride was hurt by the stock exchange's original judgment and the way in which its name was so closely linked to the much stronger parallel reprimands of Fermenta.

ATC to join US cable TV venture

AMERICAN Television and Communications (ATC), a subsidiary of Time Inc is to become a major participant in Cable Value Network, a new US cable television shopping service.

The company said it would join Tele-Communications, Warner Communications and other cable operators in a joint venture with COMB, the company behind the venture.

ATC said it would contribute a subscriber base of about 3.3m households. As an equity participant, it said it received an option to acquire up to 700,000 shares of COMB stock.

● Standard & Poor's, the US debt rating agency, has lowered its ratings on about $700m of outstanding securities of Eastman Kodak.

The agency has downgraded the company's senior debt to Double A from Triple A and its subordinated debt to Double A minus from Triple A. Its A1 commercial paper rating is affirmed and a preliminary Double A rating was assigned to a $450m rule 415 shelf registration.

● Crime Control, an Indianapolis-based alarm systems group, has agreed in principle to be acquired by National Guardian of Connecticut for about $60m.

The acquisition calls for National Guardian to issue shares valued at $3.35 for each common share of Crime Control and-or an equivalent amount of cash for each share. The value of this part of the transaction would be about $13.5m, based on the number of Crime Control common shares outstanding.

● Commerical Credit, a unit of Control Data, the struggling US computer group, has completed the private sale of $100m in senior debt. The company said the private placement was made through L. F. Rothschild, Unterberg, Towbin.

Under the sale, the debt will be registered with the SEC by January 1, 1987. When the registration occurs, the private placement will become public, Control Data said.

Rank pays £67m for Ladbroke bingo unit

By David Churchill in London

THE RANK Organisation, UK leisure industry group, yesterday became the largest licensed bingo hall operator in the UK with the agreed acquisition of rival Ladbroke Group's 36 bingo clubs and 42 amusement centres in a deal worth £67.5m ($102.6m).

The move comes ahead of the launch later this week of the first national bingo game in Britain following parliament's easing last year of controls on the game.

The national game will involve more than 800 bingo clubs in Britain linked by an ICL computer and will offer a nightly first prize of £50,000 in an attempt to halt the decline in bingo's popularity in recent years.

However, Rank believes it can improve the performance of the Ladbroke bingo halls and benefit from an upturn in the market prompted by the new game.

Mr Michael Gifford, Rank chief executive, said yesterday that bringing the two bingo circuits together would "produce a significant improvement in profitability through both overhead and operating cost reduction."

The deal would give Rank a chain of 94 clubs and, said Mr Gifford, make it "leading social and bingo club in the UK with annual admissions of over 20m."

The acquisition of Ladbroke's bingo halls gives Rank an estimated 17.5 per cent share of the total admissions market, which reached 120m last year. Other big operators are Mecca, Coral, and Granada.

Rank is also buying Ladbroke's amusement centres which are aimed at housewives and others over age 18 and do not include video games.

Ladbrokes shares rose 4p on the day to 350p, while Rank closed at 517p, down 15p on the day.

Background, Page 15

Austrian banks forced to boost capital ratios

BY PATRICK BLUM IN VIENNA

CREDITANSTALT Bankverein, Austria's largest bank, plans to raise its capital by as much as Sch 20bn ($1.29bn) in the next 10 years to meet capital ratio requirements under a new banking law, Dr Hannes Androsch, the bank's director general and chief executive, said yesterday.

The new law, approved last week by the Austrian parliament, becomes effective on January 1, 1987. It requires all Austrian banking institutions to raise their capital to 4 per cent of balance sheet totals by 1991 and to 4.5 per cent within the following five years. Its overall objective is to strengthen the capital base of Austrian banks and to improve their efficiency and profit margins, which are among the lowest in the Organisation for Economic Co-operation and Development (OECD) group of countries.

Dr Androsch said the bank would raise up to Sch 13bn from the domestic and international markets and another Sch 7bn from profits.

The bank will issue ordinary shares and use new additional instruments to raise the capital. The latter will include participation certificates, which are roughly equivalent to risk-bearing non-voting shares. They carry a higher distribution than ordinary shares but receive no distribution in the case of losses.

Dr Hannes Androsch – strong foreign interest in participation certificates

A first issue of participation certificates, to test the market, was launched yesterday for a nominal Sch 100m and will be on offer until June 30. This is primarily intended for the domestic market, although foreign investors may buy the certificates, a bank spokesman said. The offer is for 200,000 certificates with a nominal price of Sch 500 each to be sold at Sch 1,375 per certificate to raise Sch 275m.

Dr Androsch said that in view of "very strong" interest abroad in the certificates, the bank was considering making another issue of between Sch 200m and Sch 300m in the autumn.

In addition, the bank will issue ordinary shares with a nominal value of Sch 300m in 1987 and in 1988. The shares are expected to trade at over 200 per cent of their nominal value and the bank hopes that it will raise at least Sch 600m in each of the two years from the shares.

Dr Androsch said he expected the bank's business to grow by about 7 per cent annually until 1996. He expected the bank to show higher profits this year and said that its dividend would be raised from the 10 per cent paid out for 1985.

Henkel to buy French soap maker

BY DAVID BROWN IN FRANKFURT

HENKEL, the West German chemicals concern best known for its washing powders, is negotiating the purchase of Union Générale de Savonnerie, the Marseilles-based soap and detergent manufacturer with an annual turnover equivalent to DM 130m ($59m).

Henkel told shareholders it was prepared to spend between DM 200m and DM 300m this year as part of an aggressive, mainly European-focused acquisitions policy aimed at strengthening its operations. Moreover, it will invest an additional DM 400m in plant and equipment.

The Düsseldorf-based group is optimistic it will achieve better earnings this year (despite a decline in overall turnover) helped by lower raw materials, production and financial costs as well as some price increases.

The rise in operating profits in the first quarter was "not inconsiderable," according to Mr Helmut Sihler, managing director. Turnover declined by 7 per cent in D-Mark terms, although volume advanced by 3 per cent.

The group's forecast for this year is slightly better than those of the West German chemicals industry as a whole because it is less dependent on dollar-denominated receipts, an executive said.

Last year, Henkel's worldwide turnover was DM 9.22bn – down 1.3 per cent due to a largely-completed rationalisation programme which shaved DM 400m off sales.

Net profits climbed 36 per cent to DM 176.5m from DM 129.5m on which it paid a DM 3 dividend per preferred non-voting share.

Ending a 109-year-long period as a family-owned concern, Henkel raised more than DM 400m in its first public share issue last autumn, by floating 1.5m shares. The group says it has no plans for the moment to seek a bourse listing outside Germany.

Shopping mall group to raise C$500m

BY BERNARD SIMON IN TORONTO

TRIPLE FIVE Corporation, owner of West Edmonton Mall, claimed to be the world's biggest shopping complex, plans to raise C$500m (US$362.3m) through a privately placed long-term mortgage secured by the mall.

The financing is significant not only for its size, but also because it will provide an indication of market confidence in the blend of shopping centre, indoor amusement park and hotel which comprise the mall, on the outskirts of Edmonton, Alberta.

An official of McLeod Young Weir, the Toronto-based securities firm which is one of two co-agents for the placement, described the financing as "a large and challenging assignment." Consultants specialising in different facets of the mall's facilities have been engaged to help market the financing.

Proceeds of the mortgage will be used to refinance variable rate bank loans used for construction of the C$850m mall. The paper will be offered mainly to Canadian financial institutions, but some US and Japanese investors may participate.

The McLeod Young Weir official said marketing would probably take place towards the end of July. The weakening Alberta economy, which depends heavily on oil and gas production, and the controversial nature of the mall may mean the financing will be split into several branches.

Triple Five is owned by the four Ghermezian brothers, Iranian-born entrepreneurs whose family set up a Persian carpet import business in Montreal 30 years ago.

The brothers are considering building a second mall modelled on the 826-store Edmonton complex. A site has not yet been chosen, but candidates include Toronto and Niagara Falls, New York. The level of financial incentives provided by state and provincial governments is expected to play a key role in determining the location of any second mall.

The final stage of West Edmonton Mall, a futuristic Fantasyland Hotel, is due to open in November. The mall's water park, which features six-foot high waves for surfing and an critical "sun" for year-round tanning, opened six weeks ago.

The five-year-old mall has become a controversial landmark in a city with a population of less than 600,000. Promoted by its supporters as one of western Canada's leading tourist attractions, the mall is criticised by some for its impact on property developments in other parts of the city.

Setback for Dyno Industrier

By Fay Gjester in Oslo

DYNO INDUSTRIER, the Norwegian chemicals, plastics and explosives group, reports a marked fall in profits from last January to the end of April, compared with the same period of 1985, despite a rise in turnover to NKr 1.12bn ($148.5m) from NKr 1.04bn.

Profits before extraordinary items dropped to NKr 21m, from NKr 60m, while the figure after extraordinary items was NKr 44m (NKr 62m).

The whole-year figure is expected to be lower than in 1985, when it reached NKr 231m.

The explosives and methanol divisions yielded poorer results, but other activities showed a steady improvement. The performance of the company's explosive plants in the US was unsatisfactory for a time but is now improving.

Shareholders were this year invited to take their dividend in the form of new shares. A total of 78 per cent of them opted for that, providing NKr 41.4m of fresh equity.

Norsk Hydro, the Norwegian energy and industrial group, holds a controlling stake of 50.47 per cent in Dyno Industrier.

UAE tightens up on bank loan security

BANKS in the United Arab Emirates (UAE), burdened with bad debts, have been told not to extend any more unsecured loans to customers, Reuter reports from Abu Dhabi.

Bankers said the order was delivered in a circular from Mr Abdul-Malik al-Hamar, the UAE central-bank governor, which said banks should be ready to show documented proof that new loans were backed by adequate collateral.

Bankers estimate that up to a third of the 30bn dirhams ($8.17bn) in bank loans to the UAE private sector is non-performing, because of a recession brought about by falling oil revenues.

The central bank has been discouraging unsecured credits for some time, but bankers estimate that nine tenths of bank lending is unsecured, mainly in the form of overdrafts.

Chase refused permission to open bank branch in Bombay

BY R. C. MURTHY IN BOMBAY

CHASE MANHATTAN Bank of the US has been refused permission to open a branch in Bombay, in a move that indicates a hardening of the Indian Government's attitude towards the entry of foreign banks.

The Reserve Bank of India (RBI), the country's central bank, told Chase there was no need "for the present" for another US bank in India. Chase has a representative office in Bombay.

There are 19 foreign banks, including three from the US, operating in India with 134 branches. Citibank has six branches, Bank of America four and American Express three.

The rejection surprised Chase, which had been waiting more than two years for RBI clearance.

In order to demonstrate its commitment to India, Chase has been participating in the syndication of commercial loans for the country. Recently Chase's Belgian subsidiary syndicated a tax-spared loan for India's oil and natural gas commission below Libor, the London Inter-Bank Offered Rate.

The setback to Chase has disappointed foreign banks. Many European and Japanese banks are increasingly keen to establish offices in India. A promise by Mr Rajiv Gandhi, the Prime Minister, to modernise Indian industry and the expectations of higher foreign borrowings have heightened the perception of potential rewards.

Mr R. M. Malhotra, RBI governor, has been quoted as saying that existing foreign banks should consolidate their business before the Government considers the entry of more foreign banks.

Until recently India's stance was that it considered applications from foreign banks on the basis of reciprocity – it would grant permission only when Indian banks were given a similar opportunity in the foreign banks' country of origin.

Citicorp set to win Quotron

CITICORP, the biggest US banking group, said its tender offer for Quotron Systems, the business information chain, had been successful and that it had purchased a majority of Quotron's outstanding shares.

Citicorp said that as of June 13, Quotron shareholders had tendered 19.1m shares, about 55 per cent of Quotron's outstanding shares, in response to its tender offer.

The banking group said it accepted the tendered shares and was due to begin making payment yesterday. It added that, if the conditions of its tender offer continued to be satisfied, it would accept the tender of additional shares until the expiration of the offer on Thursday.

Malaysia lures foreign investors

Wong Sulong looks at a reversal of state policy on overseas companies

A SIGNIFICANT change has taken place in Malaysia's approach towards foreign investment. The return of the now Malaysian-owned Guthrie Corporation to the London Stock Exchange, and permission for Rothmans and Imperial Chemical Industries to retain equity control of their Malaysian operations, all point to the growing realisation among Malay political leaders that Malaysia needs foreign investors more than the investors need the country.

The Government's ambitious and controversial New Economic Policy (NEP), which has scared off scores of investors, has now been put on hold.

Potential foreign investors are being told that as far as equity is concerned, the NEP will not apply — at least until they have been making money for several years. Existing foreign companies are assured they can retain equity and management control if they can make a good case.

Confirmation of this flexible approach came from Dr Mahathir Mohamad, the Prime Minister, who - fearing the unpopularity of the move among the ethnic Malay (Bumiputra) community, chose to announce it in an interview on Australian television recently.

"We are very pragmatic people," Dr Mahathir said. "We find that if there is no growth, there cannot be any redistribution of wealth. At the moment there is no growth, so we have decided we will not go ahead with the kind of restructuring that we planned for.

"We have now to concentrate on growth first and then only restructuring, so the NEP will be held in abeyance, more or less, except in areas where there is growth."

The NEP, launched in 1970, is an all-embracing strategy to bring the Bumiputras on par economically with the commercially aggressive Chinese. The element of the NEP which deeply affects foreign investors is equity restructuring.

By 1990, the Government wants the nation's corporate wealth (defined as capitalisation on the Kuala Lumpur Stock Exchange) to be distributed 30 per cent among the Malays, 40 per cent for other Malaysians, and 30 per cent for foreigners.

By last year, the foreign share of this corporate wealth had fallen to less than 28 per cent compared with 65 per cent in 1970. Behind this fall lies the steady erosion of business confidence in Malaysia as the country was buffetted by a series of political and financial upheavals in recent years, and the economy took a plunge from the high growth rates of 8 per cent during the 1970s.

Depressed export commodity prices mean that Malaysia is likely to record zero or even negative growth this year. Private investment has fallen sharply, and there has been a surge of capital flight.

Between 1981-85, private investment rose by an average of only 1.8 per cent, well below the Government's target of 10.7 per cent. The fifth Malaysia Plan (1986-90) paints a sombre outlook for the nation's economy, with modest growth rates and rising unemployment.

Privately, Malay leaders acknowledge the 30 per cent Malay ownership target cannot be achieved by 1990. It is currently 18 per cent. The target has to be pushed back for a few more years, and restructuring will now take place mainly through the flotation of government assets on the stock exchange—like Malaysian Airline System last year—rather than forcing foreigners to divest.

Indeed, there is an increasing feeling among the expatriate community in Malaysia that the Government is now so desperate for foreign investment that investors can afford to wait and squeeze the best terms. But it has to be appreciated, the Government is risking a backlash among the Malays for compromising on the NEP, and cannot afford to be seen to be dictated by foreign investors.

The flotation of Guthrie (minus the plantations now held through another company) in London is seen as a test case. If British response is encouraging, more Malaysian government-owned companies which are to be privatised will seek similar listings overseas, reversing a trend in the 1970s when companies with Malaysian assets were Malaysianised and their domicile transferred "home."

Foreign companies are now welcomed as investors in Malaysia's plantations and mining sectors. Tate and Lyle, the British sugar group, is studying the possibility of participating in reviving a 10,000-hectare sugar plantation in Perak state.

The purchase of foreign-owned plantations in the 1970s is regarded as a mistake arising from uninformed nationalist sentiments. Not only did this lead to a big outflow of funds, but it gave rise to competition from Indonesia, which attracted many ex-Malaysian planters.

So far three companies — Nestle, Rothmans and ICI— —have been allowed to retain 50 per cent or more of the equity in their local operations, compared with 30 per cent allowed under the NEP. In each of the three cases, it was argued that equity control was essential for the continued use of brand names, patents, research, marketing and technology which were seen as vital for business success.

Mitsubishi Electric lifts Akai holding

By Yoko Shibata in Tokyo

AKAI ELECTRIC, the troubled Japanese maker of audio and video equipment, is to increase its capital by allotting Y1.38bn ($8.35m) in shares to Mitsubishi Electric as part of its corporate structuring programme.

Mitsubishi Electric and Mitsubishi Bank are supporting the reshape, which has been made necessary following a deficit at Akai caused by a rapid and sharp drop in video cassette recorder (VCR) prices and a slide in sales of audio equipment.

The issue price for the 4m shares is Y345, with payment set for July 2. As a result, Mitsubishi Electric will become one of Akai's largest shareholders

Akai will sell its VCR plant in Haneda, Tokyo, to a property company within the Mitsubishi group in order to raise Y2.2bn and thus help further to reduce its losses. The plant will remain in operation until this summer, when VCR production will be transferred to Saitama. It will involve some 500 job losses, or a quarter of Akai's total workforce. More than Y5bn in losses are expected for Akai's current year

CSR to raise A$460m through share issues

BY LACHLAN DRUMMOND IN SYDNEY

CSR, the Australian resources and building products group, is to raise a total of A$460m (US$319m) through a share placement and a rights issue of options.

The placing of 80m shares at A$3 each will raise an immediate A$240m with the one-for-10 option issue, to be made on expanded capital, to raise a further A$63m immediately from a A$1 payment. This will be followed by a further A$2.50 a share payment at any time from 1988 to 1991.

The placement comes amid mounting market speculation that CSR is the next major takeover candidate, having emerged from two years of rationalisation and debt repayment as a sleeker and more attractive company.

Shareholder approval is required for the placement which equals 15 per cent of current capital. The AMP Society and the Commonwealth Superannuation Fund Investment Trust (SFIT) will each receive 30m of the shares—which carry no dividend rights for two years—and, together will own some 25 per cent of capital after the placement shares are added to existing holdings.

The AMP and SFIT—respectively the biggest life office and the pension fund for federal public servants—have taken part in a series of seemingly defensive share placements in the past year, most recently from Burns Philp, which raised A$31.5m in this way last week.

The CSR placement price compares with an opening quotation for CSR shares yesterday of A$3.55 and has been poorly received by other institutional investors, which are likely to be limited to around 500,000 shares. There is talk of a boycott of the issue or of opposing the matter at the shareholder meeting.

The issues follow the A$250m which CSR raised through a rights issue last year as part of its preparation for the early repayment of [illegible] of US dollar borrowing incurred in the purchase of the Delhi oil group and its subsequent development of the Cooper Basin field.

CSR said the fresh funds would be used for the development of group businesses, particularly in the building products area with the US as a priority.

BHP seeks to stop Elders deal hearing

By Our Sydney Correspondent

BROKEN HILL Proprietary (BHP), Australia's biggest company, has begun legal action seeking a halt to a National Companies and Securities Commission hearing into its cross-shareholding deal with Mr John Elliott's Elders IXL.

The BHP writ came as the company was subject to an attack from Mr Henry Bosch, the commission chairman, over a submission made by the company last week which he claimed was "scandalous" and which if made to a court would be capable of constituting a contempt.

BHP is seeking injunctions to stop the hearing and to declare its findings invalid. It alleges that the commissioners at the hearing have acted in bad faith, exercised their powers for improper purposes, acted in a manner calculated to assist Mr Robert Holmes à Court's Bell Group in gaining control of BHP, shown bias against BHP, and prejudged issues concerning the company.

Mr Bosch's comments were directed against a document submitted last week which, he said, was "highly offensive"

DM bond quota for foreign banks

BY JONATHAN CARR IN FRANKFURT

LEADING FOREIGN banks incorporated in West Germany have been invited to take part for the first time in the federal bond consortium which places government, post office and railway bonds with investors.

The Bundesbank, the central bank, yesterday formally offered 16 foreign banks a 20 per cent quota in the consortium and asked for a firm reply by June 25.

Those banks which accept—probably most if not all of those invited—will then be able to participate in the group from the end of this month.

So far 73 German banks have been consorium members, including 10 which are controlled by foreign institutes (for example Trinkaus & Burkhardt which is majority-owned by Midland Bank and Schroder, Münchmeyer, Hengst which belongs to Lloyds).

The new consortium could thus in theory have as many as 89 members. Of the 16 banks invited, six are Japanese, four US, three Swiss (including the Bank in Liechtenstein) and one each are from the Netherlands, Canada and Sweden.

The new action means that, thanks above all to the Bundesbank, foreign banks (at least those incorporated with a full banking licence in the Federal Republic) are able to penetrate another bastion so far held by domestic credit institutes.

Last year, for example, foreign banks were permitted for the first time to lead-manage D-Mark foreign bond issues, a lucrative activity which had been denied them until then.

Moreover, foreigners have been buying ever more German domestic bonds since the abolition in August, 1984, of the "coupon tax" which foreigners had to pay on the interest they received from domestic bond investment.

Last year foreign net investment in German public-sector domestic bonds rose to DM 23.8bn from DM 7.2bn in 1984. The net figure for the first quarter of this year was DM 16bn compared with DM 6bn in the same period of 1985.

Membership of the federal bond consortium for foreign banks is thus seen by the German authorities—and even by many German domestic banks—as a natural further step.

However, German banks already members of the consortium have made no secret of their belief that the 20 per cent quota being offered to the foreign banks is too high.

It is asked whether the foreign institutes really have the placement power consistently to pick up so high a quota — a point which the Bundesbank will be watching closely in the next few months.

Moreover some German banks in the consortium feel their existing quota is already too low, for example the cooperative institutes which have only an 11 per cent share.

Mr Claus Köhler, the member of the Bundesbank directorate responsible for the capital markets, has shown, however, that he is not swayed by these complaints, made to him at a meeting with existing consortium members last Friday.

Mr Kohler stresses that a 30 per cent quota would be too high for the foreign banks but one of only 10 per cent clearly too low. A 20 per cent quota would give the foreign entrants a total DM 600m from a normal federal bond issue of DM 3bn.

Under the consortium system, the member banks agree to take over the whole issue on firm terms and place the bonds with their borrowers. They receive a commission for doing so.

However, Mr Köhler noted that consortium membership confers duties as well as benefits. In other words the member banks have to take on their agreed quota even when market conditions are not ideal.

This is one reason why one or two of the foreign banks invited may decide, after all not to join in. They may feel they have relatively little influence over the issue conditions, thus taking on unforeseeable risk without sufficient certain reward.

But officials of foreign banks here who could be reached for comment indicated they would be happy to participate. Membership would give them an extra weapon in their armoury, and also conferred a certain prestige.

Mr Köhler also stressed that the Bundesbank move was part of its policy to open up the capital markets and, by this means, help combat protectionist pressures in commerce as well as finance.

He urged that further reciprocal steps be taken to benefit German banks operating in foreign countries but also noted that—"de jure" at least—such facilities often existed already. Last year Japanese banks were not included when foreign banks were allowed to lead-manage D-Mark Eurobond issues on the grounds that Tokyo continued to take a restrictive stance towards German (and other) banks. Neither the Japanese, nor others, are being excluded from the latest measure on these grounds.

Mitsubishi Trust in listed CD programme

By Our Euromarkets Staff

MORGAN GUARANTY yesterday bridged the gap between the CD and Eurobond market by arranging the first ever listed certificate of deposit (CD) programme, for Mitsubishi Trust and Banking Corporation.

Mitsubishi's $100m CD, which pays 7⅞ per cent coupons over five years and is priced at par, will be listed in Luxembourg. Eurobond-like features include low denominations, the lowest being $10,000, and payments of interest on a 30-day month (360-day year) time schedule.

The issue materially differs from a Eurobond only in that the token of payment of interest is an endorsement on the back of the bond rather than coupon-clipping. Morgan Guaranty stressed that this does not jeopardise the bearer's anonymity.

Priced at a spread, net of 1½ per cent fees, over US Treasury bonds of 66 basis points, dealers thought the terms fair although were worried that the CD market's reputation for illiquidity would adversely affect the issue. After a spate of issues recently, for instance, the market for floating-rate CDs seems to have dried up.

Mitsubishi Trust chose to issue this instrument instead of a Eurobond because it avoids the Japanese Ministry of Finance queue for Japanese trust bank Eurobond issues.

$560m of fixed-rate paper issued as mood improves

BY CLARE PEARSON

THE EUROBOND market turned optimistic yesterday as US Treasury bonds rallied on further evidence of sluggish US economic growth. As dealers marked prices of seasoned issues up by about ¼ point, new issue managers seized the opportunity to launch $560m worth of new fixed-rate paper.

Deutsche Bank Capital Markets launched a $250m 10-year deal for the European Investment Bank (EIB), which also raised DM 300m in the D-Mark market yesterday. The coupon was set at 7⅝ per cent and priced at 99⅞ to give a net spread of 45 basis points over US Treasury bonds at time of launch. The issue met an enthusiastic reception.

The EIB has the option of re-purchasing up to 5 per cent of the issue during the first year of its life, up to 3 per cent in the second year, and up to 2 per cent on years three and four of the bond's life.

Morgan Guaranty launched a $100m 10-year deal for the German bank Deutsche Siedlungs-und Landesrentenbank (DSL), which is 99 per cent owned by the Federal government. The coupon was set at 8⅛ per cent and the issue priced at 100⅛, to give a 50 basis point spread over US Treasury bonds at time of launch. As US Treasury bond prices moved up in the course of the day the issue traded at discounts to issue price comfortably within the 2 per cent commissions.

In the light of the pricing of DSL, which is viewed virtually as German government debt, the 32 basis point issue spread over US Treasury bond yields on a new five-year bond for Prudential Funding, the wholly-owned subsidiary of Prudential Insurance, looked tight.

Prudential Bache Securities set the coupon on the $150m bond at 7⅛ per cent and issue price at 100⅛. The bond was quoted at a bid price of 98⅞.

Elsewhere in the dollar sector, Morgan Stanley issued a $60m five-year bond for Hudson's Bay, the Canadian retail company. The coupon was set at 10 per cent. The price was left open during yesterday afternoon, indicated at between par and 100½. The lead-manager reported strong demand.

The D-Mark market ticked up about ½ point in price in sympathy with New York and because the Lower Saxony elections, which took place on Sunday and had created nervousness in the market, were now behind it.

The EIB's DM 300m 6⅛ per cent 10-year deal was, therefore, warmly welcomed by investors and traded at a bid price of 99, just ½ point below issue price. Deutsche Bank led the deal, whose concurrence with the EIB's dollar offering was said to be coincidental.

The EIB's strong performance encouraged the launch of another bond for a supranational borrower, this time the Council of Europe. This DM 150m eight-year 6⅛ per cent bond, priced at par, was led by BHF Bank. It came too late in the day to trade actively.

The Ecu market saw marked price improvements last week as recent paper was digested. Yesterday Banques Bruxelles Lambert launched an Ecu 75m bond for the EEC. The 7⅞ per cent bond has a final maturity of eight years, but 50 per cent amortisation at the end of the seventh year reduces this to an average life of 7½ years. Investors welcomed the deal, which marks a departure from the tight pricing of Ecu deals of a few weeks ago. A bid price of 99⅞ was quoted.

Late in the day Morgan Stanley launched a A$50m issue with debt warrants for Mitsubishi Bank of Australia. The seven-year bond bears 13 per cent coupons and was priced at 101¼ per cent. It is callable after four years at 100½. The warrants, which pay 13 per cent coupons, may be exercised into a similar, but non-callable deal, only after the call date on the host bond is past.

Yamaichi International (Europe) set the terms on a recent $50m equity warrants bond for Glory, the Japanese manufacturer of cash and banknote handling machines. The coupon on the seven-year deal was set at 3½ per cent, as had been indicated. The exercise price on the warrants was set at ¥3,947, a 2½ per cent premium over the closing price on the shares. The foreign exchange rate was set at ¥166.30 to the dollar.

Prices were maintained in steady volume in the Swiss franc market. No issues traded for the first time.

Korea Development Bank postpones syndicated loan

BY STEVEN B. BUTLER IN SEOUL

THE Korea Development Bank (KDB) has unexpectedly postponed a $500m syndicated loan that was being organised in Hong Kong.

According to bankers in Seoul, early last week the KDB notified 15 banks that had agreed to orgainse the syndication that it would delay the loan pursuant to consultations with the Korean Ministry of Finance.

Reasons for the delay are not entirely clear, although some bankers feel the postponement may reflect Korea's stronger economic growth and the sharply reduced current account deficit, both of which stem from falling oil prices, the decline in international interest rates, and the strength of the Japanese yen.

"There is a contingent of people in the Ministry of Finance who thought KDB should push for a smaller amount, $300m say, and maybe even lengthen the terms to 10 years, to give a signal to the international financial markets that Korea was doing fine this year and didn't need to borrow as much as they had in the past," said a banker yesterday who is involved

The KDB had telexed the 15 banks on May 28 asking if they would be willing to organise the syndication. The banks met and notified the KDB on May 30 that they would be willing to put together the syndication. The loan had proceeded no further when the banks received notification of a delay.

Annual KDB "jumbo loans" have been well received in recent years. Korea is the largest borrower in Asia, and bankers express great confidence in the country's economic management.

Morgan Grenfell may shift Asian fund to Singapore

BY CHRIS SHERWELL IN SINGAPORE

MORGAN GRENFELL, the UK merchant bank, is considering a phased relocation to Singapore for the management of its £13m to £14m Asian Investment Fund following the island state's improved fund management incentives announced in the government's March budget.

The move would be a symbolic boost for Singapore and would mark a significant reversal by Morgan Grenfell. In 1983 the bank caused a minor sensation by shifting the fund to Jersey in the Channel Islands, principally because it failed to win satisfactory clarification on the taxation of trading gains in the Singapore market.

The Singapore authorities, seeing other fund managers hold back and watching Hong Kong surge ahead as a fund management centre, reviewed their policies and initially began offering concessionary 10 per cent tax rates on fees for offshore fund management.

The March budget took matters much further, however, by extending the concessionary rate to management of funds invested in Singapore stocks and by clarifying that profits earned on such transactions will be treated as capital gains, which face no tax, rather than trading profits, which are liable to 33 per cent tax.

As a result, Morgan Grenfell may shift the management of its Asian Investment Fund from London to Singapore in phases, starting with dual control from London and Singapore before moving completely to the island state. Nominal domicile, however, is expected to remain in Jersey.

Bank officials say they hope to generate some S$100m of new fund management business out of South East Asia.

Finnish bank taps US term CD market

By Olli Virtanen in Helsinki

KANSALLIS - Osake - Pankki, one of Finland's two leading commercial banks, will issue term CDs (certificates of deposit) running for one to five years in the US market under a programme which totals $100m. Kansallis is the first Nordic bank to enter the term CD market in the US.

The money to be raised will be used for strengthening the dollar deposit base of the bank's New York branch. The Finnish bank has received a triple A rating for the programme from Moody's Investor Service, the first private Nordic bank to gain the status.

The consolidated assets of the Kansallis banking group stood at FM 87.7bn ($17.7bn) at the end of April, an increase of 20 per cent on the year-end figure.

More details given for India Fund

By R. C. Murthy in Bombay

MORE DETAILS have been given for the India Fund, the investment trust promoted jointly by Unit Trust of India and Merrill Lynch, which will make an offer of shares worth £60m on the London market on July 7.

The Indian government last week approved the proposal, which for the first time allows foreigners to invest in the Indian stock markets, albeit indirectly. UTI will invest the £60m in India corporate equity and manage the portfolio. The Indian stock markets have been booming over the past two years, with share values more than doubling.

According to UTI, nearly two-thirds of the India Fund will be offered to institutional investors and the remaining third to individuals, including expatriate Indians. The shares of India Fund will be listed on the London stock exchange.

India Fund will be a closed-ended unit trust domiciled in Guernsey.

Eagle Corpn. to buy deposit of magnetite

By John McIlwraith in Perth

A PROJECT which would provide an alternative source of raw materials for the Australian coal industry will be launched in the next six months.

Eagle Corporation, better known as an oil explorer, is to acquire a magnetite deposit in the Hunter Valley region of New South Wales, close to many existing coal fields. Magnetite, a form of iron, is used in a process to remove waste material from coal after it is mined.

Subject to shareholders' approval Eagle will make a two-for-three renounceable rights issue, with one free option for every two shares, to raise A$3.2m. This will largely finance the building of a treatment plant at Tallawang.

Eagle, which is part of the Swan Resources group, says that feasibility studies show a return of between 24 per cent and 35 per cent on the investment of A$4m in the venture.

Danish banks lead profit growth

DENMARK'S 245 stock market listed companies more than doubled earnings to DKr 28bn before tax in 1985, Hilary Barnes reports from Copenhagen.

Bank profits increased by 542 per cent to DKr 15.7bn in a year when bond prices rose sharply. Earnings by industrial companies fell by nine per cent to DKr 5.8bn.

The top five companies measured by earnings growth were all banks, followed by Novo, the pharmaceuticals company, the AP Moeller shipping group and United Breweries, the Tuborg and Carlsberg company.

FT INTERNATIONAL BOND SERVICE

Listed are the 200 latest international bonds for which there is an adequate secondary market. Closing prices on June 16

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

INTL. COMPANIES and FINANCE

Kenneth Gooding on the German vehicle group's reviving fortunes

MAN trucks open the throttle

MAN Commercial Vehicles, West Germany's second-largest heavy truck producer, is firing on all cylinders again and recovering fast from the traumatic events which forced the company—and its parent GHH (Gutehoffnungshutte) — to change direction violently.

Mr Wilfried Lochte, chairman, says the company did much better in the current financial year, which ends on June 30, than in 1984-85 when it reported a DM 32m ($15m) profit. The progress towards complete financial health will be even quicker in 1986-87, he suggests.

MAN plunged into losses—totalling DM 477m in the two financial years to June 1984—but, in spite of this setback, it did not cut its investment programme.

So the company has been able to crown its recovery this month with the launch of a new range of heavy trucks, called the F90.

MAN invested DM 250m in the F90 trucks which have entirely new cabs, chassis and suspension systems. According to Mr Lochte, the trucks will play a crucial part in the company's drive to boost its share of the West European market for trucks over 15 tonnes gross weight, from the current 7 per cent to 10 per cent within three years.

The company has travelled a long way since 1981 when Iraq, without warning, cancelled an order for 1,000 heavy trucks, most of them already built by MAN because of the tight original delivery schedule. That blow brought MAN to its knees.

The trucks were not ordinary production models and were unsaleable in Europe. MAN had to sell them at give-away prices.

At the same time, MAN, in common with the rest of Western Europe's heavy truck industry, faced a recession caused by the steep drop in demand from the oil-producing countries and a halving of European sales between 1980 and 1982.

MAN had to act quickly to put its house in order. It rationalised production and cut costs to reduce the break-even level of output to match expected demand.

By the middle of 1984 the programme had reduced the MAN Commercial Vehicle workforce by 25 per cent, or 6,000 jobs, to 17,500.

The break-even point has been cut to 15,000 trucks a year—a level to which MAN's output has dropped only once in the past 11 years. That was after the collapse of the Iraq deals.

Last calendar year, output of trucks over 15 tonnes was 18,395, up from 15,334 in 1984, and Mr Lochte says there will be an increase to 20,359 this year. MAN's production peaked at 27,000 heavy trucks in 1981.

While MAN was still in a weakened state early last year, General Motors of the US came knocking at the door of the GHH parent group offering to acquire the truck business. GM, the world's largest automotive business, was seeking a way to improve its position in the European truck business by finding a partner for its British subsidiary, Bedford.

The MAN truck executives were not keen on the idea of a GM takeover and, although both sides took a long, hard look, there seemed no areas where Bedford and the German group could co-operate either.

Help was at hand from Daimler-Benz, the Mercedes group, which did not relish the prospect of GM picking up MAN and with it a 10 per cent share of the West German heavy truck market plus a network of 900 dealers and service points across Europe from Spain to the UK.

To help MAN over its temporary shortage of cash, D-B offered to buy its rival's half-share in MTU (Motoren-und-Turbinen Union) which makes very large diesel engines, for about DM 500m.

MAN's profits on the deal DM 128m, showed up as an extraordinary item in the 1984-85 results.

MAN's fall into losses and the GM episode showed GHH, West Germany's major mechanical engineering group, that it needed to take a tighter grip on its 75 per cent-owned subsidiary.

Consequently, it took full control via a share swap, and followed up by reorganising the merged group into eight divisions. The truck and bus operations of MAN have been split off as a separate company, MAN Commercial Vehicles.

The chairman of the new division, Mr Lochte, says that in future MAN CV will concentrate on Western Europe and aim to be selling soon 80 per cent of total production in this "domestic" territory. The dealer and service network will be built up to about 1,000.

Currently sales to the Middle East, once MAN's major export market, are minimal as cash for imports has dried up in those countries.

Similar currency shortages have brought MAN's project to assemble trucks in China with a local partner, Norinco, almost to a halt. In the past two years MAN exported more than DM 100m-worth of built-up trucks and kits to China and Mr Lochte insists: "We want to participate in that market and will persevere."

Neither is MAN in any mood to quit its assembly plant for buses in the US — even though the lack of orders, caused by a 50 per cent cut in Federal subsidies to mass transit authorities, has forced Volvo of Sweden to close down its American factory recently and left MAN on short-time working.

Mr Wilfried Lochte: drive to boost European market share

The buses built at Cleveland, North Carolina, have a 40 per cent West German content and the fall in the value of the dollar has increased the cost of imported components by $10,000 a vehicle, Mr Lochte points out.

However, in Germany MAN is building a healthy three and a half buses and coaches a day after winning major orders, including one from Turkey.

The bus operations as a whole are doing better than break-even, says Mr Lochte. Output rose from 1,774 in 1984 to 2,566 last year and should be about 2,180 in 1986.

For the time being MAN has shelved the idea of exporting trucks to North America. It has been looking at the possibility of selling in America the medium trucks from its joint project with Volkswagen.

The whole future of the joint venture with Volkswagen has been under consideration because the original contract, signed in 1979, was due to end next year.

VW and MAN co-operated to develop and build trucks between six tonnes and 10 tonnes to fill the gap between the top end of VW's commercial vehicle range and the bottom of MAN's.

The partners originally hoped for output of joint-venture vehicles to reach 15,000 a year, with 10,000 for export. But production has never been above 5,000. Last year the joint venture sold 3,700 vehicles and Mr Lochte says the total should go above 4,000 in 1986.

The joint venture is now marginally profitable and the partners have renegotiated their deal so that all production will take place at MAN's Salzgitter factory, near Hanover, whereas it has been shared with VW's Hanover plant in the past. Under the terms of the original contract, VW insisted that 70 per cent of assembly be completed at Hanover.

Talks with VW about widening the co-operation continue, including some which might lead to further links between the MAN and Volkswagen commercial vehicle sales and service networks — as has already happened in the UK, the Netherlands, Norway and Spain.

Mr Lochte acknowledges that for a medium-sized truck producer to survive, it must be involved in co-operative ventures.

Apart from the VW deal, MAN has a joint project with the Eaton Corporation of the US for the development, production and marketing of some heavy truck axles. This scheme is on schedule, says Mr Lochte.

MAN's capital spending is running at about DM 200m a year while research and development takes DM 130m to DM 150m, roughly 2 to 4 per cent of turnover.

The development effort put into the new F90 truck range, under development since 1981, enabled the number of components in the cab to be cut by 30 per cent, thus reducing weight considerably.

MAN built 400 of the top-of-the-range F90s for the launch in continental markets this month and will gradually introduce other versions in descending weight categories over the next two years. Right-hand-drive models for the UK, the company's best export market at the moment, should be on the road next March.

Mr Lochte believes that MAN can take market share away from all its major competitors with the help of the new F90 range—including some from the European market leader, Daimler-Benz.

UK COMPANY NEWS

Guinness gets a nip of Bell's and nudges £60m

BY DAVID GOODHART

THE INTERIM profits unveiled yesterday by Guinness were roughly in line with expectation at £59.3m pre-tax proving, according to Mr Chris Davidson, the director of public affairs, that the company can "walk and chew gum at the same time."

He said: "These results show that despite all the attention focused on our acquisitions we can also produce excellent results from the existing businesses."

The profit figure for the half year to March 31 1986 was 68 per cent as on last year and included a first full contribution of £21.4m from Arthur Bell & Sons but nothing from the Distillers company which was acquired in April.

However, Mr Ernest Saunders, the Guinness chief executive, did spell out some of the early changes at Distillers.

The Distillers drinks brands are being integrated into the newly formed Guinness Beverage Group headed by Mr Vic Steel to whom all senior management in the subsidiary companies will report.

The Guinness retail, health and publishing businesses are brought together into the Developing Group headed by Mr Brian Baldock, and the remaining businesses constitute the Commercial Group headed by Mr Shaun Dowling.

Guinness says that it is starting to introduce far tighter financial disciplines into Distillers with weekly budget control meetings. The analysis of how best to reposition the Scotch whisky brands internationally is also well under way.

Excluding the effect of acquisitions, existing businesses increased profits to £43.5m, a rise of 23 per cent. At the trading level (including acquisitions) Guinness profits have nearly doubled to £67.8m.

Earnings per share increased by 12 per cent and the interim dividend is also being increased by 12 per cent to 2.24p net.

Turnover was up 58 per cent at £873.4m of which 48 per cent was brewing, 21 per cent Bells group and 31 per cent retail and other.

The 1,200 retail outlets will soon all carry the same name — Martin McColl — as part of a new marketing strategy.

Breakdown of turnover geographically shows 61 per cent from the UK, 19 per cent from the Republic of Ireland and 20 per cent overseas. The profit percentages were 46, 23 and 21 respectively.

As a result of the Distillers acquisition Guinness says it issued 514m ordinary shares and £300m of preference shares.

The gearing is expected to be down to about two-thirds by the end of the year. The company also said that the year end for the new group will be December 31 and the results for the 12 months to end of September will be announced as a second interim.

Guinness shares closed 3p up at 303p.

See Lex

Mr Ernest Saunders, the chief executive of Guinness

Change of management at Authority Investments

By Lionel Barber

THREE EXPERIENCED City financiers are to assume management control of Authority Investments, the investment and property development company chaired by Lord Lever, in a deal worth £6.6m.

Mr David Backhouse, who built up and floated Dunbar & Co, the bankers, in the 1970s, is to become executive chairman. Mr Michael Campbell, a property developer, and Mr David Innes, a chartered accountant, are to join the board as executive directors. Lord Lever, a former Chancellor of the Duchy of Lancaster, is to become president of Authority.

Mr Backhouse and his team have created a vehicle, Management Group, which is bidding 130p in cash for Authority which they reckon is worth 143p per share, allowing for their proposed one-for-ten scrip.

Irrevocable acceptances have been given on behalf of 100 per cent of the non-voting "A" shares. Management Group wishes to convert these "A" shares at an EGM into ordinary shares giving it around 75 per cent of the company. Some 54.' per cent of ordinary shareholders have undertaken to vote in favour.

The deal also includes Henderson Administration, Mercury Warburg Investment Management and Charterhouse Bank agreeing to subscribe or procure subscribers for £3m nominal 8 per cent convertible unsecured loan stock 2006/2011 in Authority at par. The loan stock will be convertible between 1987 and 2006.

For the year ending April 1985, Authority reported a pre-tax loss of £2.6m. But for the following six months, it staged a recovery, producing £82,000 pre-tax profits.

Weir acquisition

Weir Group has paid some £2.85m cash for Tooling Products Holdings, a Hampshire based supplier of moulds to the UK motor industry.

Book value of Tooling's net assets amounted to about £1.5m as at March 31, 1986 and pre-tax profits for the year to that date were £558,723 from £4m turnover.

Strong boost from food lifts Unigate to £83m

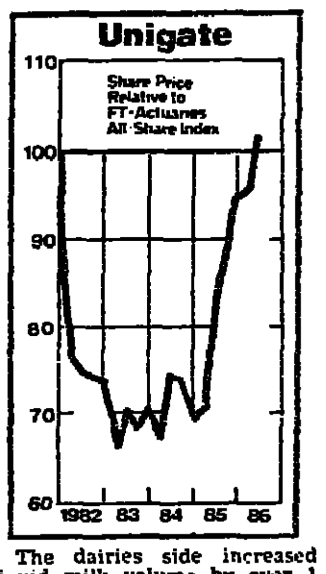
SHARPLY HIGHER contributions from its UK food operations enabled Unigate to lift its 1985-86 profits to £82.8m pre-tax, an improvement of 30 per cent over the previous year's £63.6m. City analysts were looking for around £80m.

The food side chipped in £29.5m (£17.3m) at the operating level, almost matching the £30.6m (£24.2m) returned by the dairy activities. Respectively the operations showed rises of 71 per cent and 26 per cent.

Group turnover for the 12 months to March 31, 1986 showed a decline of 1 per cent at £1.92bn (£1.93bn) but operating profits pushed ahead by 19 per cent to £91.4m, with the UK take up by £20.9m at £76.6m. The contribution from the US fell by £1.9m to £13.7m.

Earnings rose by 34 per cent to 24.6p (18.3p) and a final dividend of 6.25p (5.2p) raises the total by 1.5p to 9.7p net per 25p share.

The directors say the UK food activities did particularly well from their strong position in the growing market for healthy eating. They say that St Ivel is now the premier brand in the chiller cabinet with Gold and the Shape range progressing strongly.



The dairies side increased liquid milk volume by over 1 per cent after many years of slow decline.

Development by acquisition continued with the agreed purchase late last year of Arlington Motor Holdings, which joined the Wincanton group, and of three regional businesses by Unigate Dairies.

In all, the directors are looking to the group for sustained future growth.

Apart from food and dairies, Wincanton (transport, distribution, garages and engineering) raised its 1985-86 operating profits by £2.2m to £10.5m but Giltspur (transport, exhibition and engineering services) and the international operations showed declines of £3.1m and £4.6m respectively. Other activities improved to £2.2m (£0.9m).

Pre-tax profits included a £3.4m (£2.7m) share of the associates and were struck after taking account interest and other finance charges amounting to £12m (£16.1m).

Tax took £5.5m more at £28.1m. Minorities accounted for £0.3m (£0.5m). There were extraordinary credits of £0.6m (£9.2m charge).

The directors say cash flow was again very strong at £54.2m, bringing net borrowing down by 42 per cent.

Mr John Clement, group chairman and chief executive, revealed in a statement following the results that milk sales had fallen by between 1½ and 2 per cent in the wake of the Chernobyl disaster.

See Lex

Midland Marts in talks with estate agent

Midland Marts, the livestock auctioneer and estate agency business, is discussing a merger with Beardsley Theobalds, a privately-owned group with similar business interests.

Midland said it expected to make an offer using its own shares, with Breadsley shareholder owning between 35 and 40 per cent of the enlarged group.

The combination would have a total of 52 estate agency offices in the Midlands and include complementary activities such as insurance broking, surveying and auctioneering.

Last October, Midland declared a £19,000 pre-tax loss for the half year to last August on £2.06m turnover. The loss was largely ascribed to difficulties in the estate agency business.

LANCA, handbag manufacturer and wholesaler, made pre-tax profits of £249,000 (£260,000) for 1985, on turnover of £3.7m (£3.04m). Earnings per 20p share were 1.78p (1.9p) and the dividend is held at 0.375p. Interest receivable fell to £30,000 (£45,000) resulting from financing stock and development costs for two new businesses.

Hazlewood Foods jumps to £11m

THE ACQUISITIVE Hazlewood Foods group made strong progress in the second six months of 1985-86 and for the full 12 months raised its profits from £6.09m to a record £11.11m pre-tax.

Mr John Lowe, the chairman, says the results were achieved by pursuing the policy of developing existing businesses and acquiring companies which extend the group's operations in the food industry.

The past year, to March 31 1986, saw group turnover rise from £68.06m to £123.08m and trading profits by £5.12m to £12.9m.

Tax rose to £2.35m (£1.09m) to leave the net balance at £8.76m, against a previous £5m.

A final dividend of 5.5p makes a net total of 9.5p on the capital enlarged by last year's £20.5m one-for-one rights issue. The total dividend paid for the 1984-85 year totalled 13.5p but the directors have adjusted this to 8.1p allowing for the rights issue.

They are also proposing a two-for-one scrip issue and a sub-division of the 20p shares into units of 10p each.

comment

Excellent figures which show that the company's strategy of broadening its product base through small acquisitions is paying handsome rewards. Last year's purchases added £3.4m to pre-tax profits implying organic growth of around 26 per cent. Although further acquisitions are probable, this year will be devoted to the digestion and development of recent purchases — notably the chilled foods division (pizzas, pasta) and snacks (nuts, popcorn). The oddly-named "ambient grocery" division which bottles pickles, sauces and jams will benefit if there is a good summer. The share split underlines the group's impressive performance — the price was 240p only four years ago and rose to 570p on these figures. Profits of £16m this year on a tax charge of 27 per cent puts the shares on a prospective p/e of 16. That is high for the sector but seems justified by the record.

BET cuts South African interests

BY CHARLES BATCHELOR

BET, the laundries, transport and construction services group, is making a small reduction in the extent of its involvement in South Africa.

The company announced yesterday that it had reduced its investment in its South African freight business by 15 per cent. This followed a similar reduction in its passenger operation two years ago and the sale of its South African crane company earlier this year.

United Transport International, BET's transport company has reduced its holding in United General Investments (Pty) from 75 to 60 per cent. UTI's South African partner, SANLAM, the life insurance group, has increased its holding to 40 per cent by subscribing R7m (£1.7m) in cash for further shares.

South Africa contributed less than 2 per cent of BET's profits in the year ended March 31, after tax and minority interests, Mr Nicholas Wills, BET chief executive said.

DoT still considering Westland share inquiry

BY LIONEL BARBER

Westland has completed its inquiry into the six mystery shareholders who emerged during the contested capital reconstruction of the British helicopter company earlier this year.

The inquiry sought to establish whether the shareholders, several of whom sheltered under Swiss nominee holdings to remain anonymous, were acting in concert. The shareholders, one of whom is resident in Uruguay and another in Los Angeles, have given personal assurances that they were not involved in an undisclosed concert party in contravention of the Companies Act.

This does not, however, signal an end to the controversy over the six nominees who almost certainly swung a Westland shareholders vote last February in favour of a rescue plan by Sikorsky, the US helicopter maker, and Fiat of Italy, against a rival European aerospace consortium.

The Department of Trade and Industry said yesterday that it was still considering whether to launch its own inquiry into the share dealing, following a report by a three-strong Stock Exchange committee.

The committee also suggested that the government should amend the law to ensure that beneficial owners of shares should identify themselves in order to vote at a special shareholders' meeting.

An announcement on both matters is imminent, a DTI spokesman said yesterday.

De La Rue £3m security expansion

By Charles Batchelor

De La Rue, the banknote printing and security group, is to pay about £3m for Remsdaq, a privately-owned company which develops software programmes for access control systems.

Remsdaq, which is based in Deeside, Cheshire, will form the core of De La Rue's security and control systems interests in the UK and overseas, excluding North America.

De La Rue will pay £800,000 cash with the remainder financed by the issue of its own shares. Completion of the deal is expected by July 7.

De La Rue has been expanding its electronic security interests alongside its traditional bank note and security printing operations in recent years.

McKechnie lifts forecast

BY DAVID GOODHART

McKechnie Brothers, fighting off a £141m bid from the fast growing Evered Holdings, yesterday announced a forecast increase in earnings for this year of 27 per cent to £12.3m.

The reason for this increase, a marked improvement on the £11m predicted in March, is largely the result of recent changes in the payment of ACT which is reducing the estimated tax charge for the current year to 28 per cent.

Although the basic profit forecast for the year ended July 31 remains £18m (after an exceptional cost of £1.5m) the company is increasing its dividend to 10p net, up from an earlier estimate of 9p and a 25 per cent increase on last year.

McKechnie also said it was confident of a further dividend increase next year.

Evered has seen the value of its four-for-five all-share offer slip from a peak of £160m when it was launched in April. It is now widely expected to increase the bid, which it must do before next Tuesday. The final day of the bid is July 7.

In the light of anvieties over its Australasian and South African interests, McKechnie stressed yesterday that three-quarters of its profit now comes from the UK and nearly 50 per cent from the organically developed plastics and consumer goods division.

Dr Jim Butler, the McKechnie chairman, said that only 7 per cent of the forecast earnings now came from South Africa.

Evered chairman Mr Raschid Abdullah said the forecast increase was disappointing and only due to a "one-off" tax benefit while the dividend cover was down 25 per cent. Evered closed 2p up at 294p, McKechnie was also 2p up at 258p.

DIVIDENDS ANNOUNCED

	Current Payment	Date of payment	Corresponding div.	Total for year	Total last year
Aitken Hume	nil	—	4.75	2.25	7
Amersham Intl.	4.58	Aug 11	3.8	7	6
Carroll Inds. ... int.	2.8	—	2.8	—	7
Chamberlain Phipps	2.95	Aug 16	2.75	4.25	3.85
Cranswick Mill‡	2.66	—	—	2.66	—
EMAP	2.6	—	2.08	3.8	3
Erskine House	2.3	Aug 7	1.9	3.2	2.5
Flexello Castors ... int.	1.3	July 31	1.2	—	3.8
Guinness ... int.	2.24†	Aug 7	2	—	7.2
Hazlewood Foods	5.5	Oct 1	8¶	9.5	13.5¶
Lanca	0.38	July 28	0.38	0.38	0.38
Ldn. Scot. Finance int.	0.9	July 31	0.72*	—	2.4*
Lynton Holdings	4.26	Aug 7	3.63	7.26	6.05
Marshalls Halifax	3.75	Oct 1	3.5*	5.25	4.5*
Moss Advertising‡ int.	1	July 31	—	—	—
Property Partnerships	3.5	—	3*	6	5.2*
Scott Greenham	2.3	Aug 15	—	3.8	—
Unigate	6.25	Oct 1	5.2	9.7	8.2
Yellowhammer‡	1	—	—	1.6	—

Dividends shown in pence per share except where otherwise stated. * Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ USM stock. § Unquoted stock. ¶ Before adjusting for rights issue.

CHEMICALS AT THE CROSSROADS

The Financial Times proposes to publish a Survey on the above. The provisional dates and editorial synopsis are set out below.

PUBLICATION DATE: JULY 22, 1986

COPY DATE: MAY 19, 1986

1. Introduction
2. Commodities Reassessed
3. The Lure of Specialities
4. The Saudi Challenge
5. Petrochemicals and the Developing World
6. The Future for Plastics
7. Fertilisers
8. Biotechnology
9. The Lifeline Sectors
10. The Industry and the Universities
11. Profiles

Information on advertising can be obtained from William Clutterbuck telephone number 01-248 8000 extension 4148.

Publication date is subject to change at the discretion of the Editor

EMAP maintains growth with advance to £10m

GROWTH HAS continued at EMAP, newspaper and magazine publisher and exhibitions group, and for the 53 weeks ended April 5 1986 its pre-tax profit has moved up from £7.7m to £10.17m.

The directors say the group strategy is based on concentrating in four areas—consumer magazines, business magazines, newspapers, and exhibitions. "These activities yield high returns and offer prospects of substantial and continuing future growth" they say.

The group now has a strong restructured base following the sale of its retailing side (newsagents shops), and Beyond Software the withdrawal from magazine printing and pre-print business on the disposal of Heatset, and the acquisition of further newspapers and magazines. It also sold its holding of Reuters B shares for some £6m, and this was earmarked for financing development.

Yesterday, EMAP cancelled the purchase of a 13.36 per cent stake in Home Counties Newspapers from Southern Newspapers.

The dividend is being raised from 3p to 3.8p net, with a final of 2.6p. Also proposed is a 3-for-4 scrip issue.

Turnover in the year came to £101.4m (£95.64m) and the profit was analysed as to: magazines £7.5m after launch costs £1.5m (£6.42m); newspapers £2.28m (£2m); exhibitions £991,000 (£506,000); retail £77,000 (£292,000); less contract printing loss £57,000 (£629,000) and group interest £640,000 (£865,000). This included interest credit £433,000 (debit £64,000).

After tax £3.78m (£3.27m) and minorities £39,000 (nil), the net profit worked through at £6.36m (£4.46m) for earnings of 10.5p (7.3p) per share.

There are extraordinary credits of £5.43m (loss £2.5m) including a gain of £4.79m in respect of the sale in Reuters, a profit of £2.68m from the sale of retail activities and a loss of £2.25m on the disposal of the magazine printing business.

The amounts included are net of tax after deducting costs of disposal.

● comment

With this set of results EMAP surged ahead of City expectations. Its 'A' shares, which have risen steadily in the last month or so, rose by 15p to 181p. The improvement in margins seems set to continue into the current financial year, fuelled by a £500,000 saving from the sale of the retail interest and part of the £250,000 a year it will glean from printing the Independent. Although the City has applauded EMAP's profits performance throughout the 1980s, it has been more circumspect about the ersatz structure of the company. EMAP has countered this by the withdrawal from magazine printing and retailing and by streamlining into four core areas of activity — consumer magazines, exhibitions, local newspapers and business magazines — into which its cash surplus of £10.5m will be channelled. The "streamlining" looks like little more than a sop to the City, given that each core area encompasses the same fragmented structure. Yet this could give EMAP the best of both worlds by presenting a slick facade to the City, while nurturing the entrepreneurial verve that has propelled its growth thus far. Analysts anticipate profits of £13m for the current financial year and a prospective p/e of 13½—which offers some scope for short term growth, although, given the rapid rise of the share price in recent weeks, the shares have already absorbed much of the effects of re-rating.

Amersham ahead and more growth seen

AFTER ADVERSE movements in exchange rates and investing substantial amounts for the future, *Amersham International* has turned in pre-tax profits just ahead from £17.1m to £17.5m in the year ended March 31 1986.

This represents an increase of 3 per cent, after a rise in turnover of 11 per cent to £119.76m and a lift in operating profit of 6 per cent to £19.7m. Interest charges were ahead from £1.51m to £2.15m.

The group is engaged in the development, manufacture and sale of radioactive and related materials for use in medicine, research and industry. The high growth in investment in research and development has been maintained with expenditure 25 per cent higher at £12.6m. Two-thirds was devoted to medical products.

The increased spending is in line with the objective of around 10 per cent of sales and this remains the target for the future. Capital investment continued at the same level at last time.

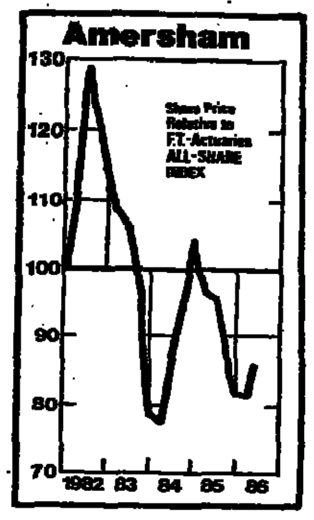
Further profitable growth is expected in the current year.

Exchange rates turned from being helpful in 1984-85 to working against the group in the year just ended.

Underlying growth of the business was maintained, and sales increased everywhere.

After UK tax £1.6m (£2.1m) and overseas £3.1m (£3.4m) and minorities £587,000 (£931,000), the profit attributable was £12.27m (£10.62m) for earnings of 24.5p (21.2p) per share.

The dividend is lifted by 1p net to 7p. The final is 4.58p.



● comment

It says something about the City's diminished expectations for the former wonder stock Amersham International that a mere 3 per cent in pre-tax profits to £17.6m was enough to send the shares scurrying up to 396p, before profit taking brought the price back to 388p, up 12p. That is almost cause for celebration for a share which had underperformed the market by over 15 per cent over the past 12 months. The proportion of revenues directed at research and development continues to increase but this was more than compensated for by a 23 per cent jump in operating profits from research products. It is in any case odd that the City should be so concerned at Amersham's research expenditure: it is the nature of the business that a consistently high level of R and D is the only way to underwrite future growth. The key Amerlite diagnostic range of products are not expected to produce profits at the net level until next year. For the current year £21m pre-tax is possible, putting the shares on a multiple of about 15, which still seems undemanding compared to others in the sector.

Erskine House £10m rights

BY TERRY POVEY

Erskine House, the copier rental, security and bureau de change group, announced a £10.1m rights issue yesterday, along with pre-tax profits up more than a third to £2.78m in the year to March and a £2m acquisition.

From DRG, Erskine has purchased the struggling Barrett photocopier, typewriter, word processing and office furniture group based in Bristol. Over the last three years, Barrett has been a problem area for DRG—operating losses ranged from almost £4m in 1983 to £1.7m last year and the subsidiary's management has been in constant state of flux.

However, Mr Brian McGillivray, Erskine's chairman and chief executive, was yesterday confident that his company could achieve the cost-cutting necessary to put Barrett back into profit by next March. After the purchase, Erskine will have some 7 per cent of the UK copier servicing market and a national branch network from which to expand this growth business.

The rest of the one-for-two rights proceeds—which is priced at 130p a share — will be used to repay short-term loans (about £4.5m at the year end) and to fund further acquisitions, he said. Erskine's shares closed last night at 163p, down 3p.

Erskine's results for 1985-86 show pre-tax profits of £2.78m (£2.02m), on sales up £8.24m at £34.15m. Earnings per share rose from 7.8p to 10.7p and the final dividend is raised to 2.3p, bringing the total for the year to 3.2p (2.5p).

After tax the company reported an extraordinary gain of £298,000, being £428,000 from the sale of PPR Security offset by a book loss of £130,000 on the closure of the fire extinguisher wholesaling business.

According to Mr McGillivray, the acquisition of Barrett will enable Erskine to tender for national servicing contracts and to look towards signing distribution agreements with major manufacturers of copiers. Barrett had a turnover of £20.2m in 1985.

Former Bremner chief hits back at criticisms

BY CHARLES BATCHELOR

THE war of words at Bremner, the Glasgow department store group, continued yesterday with a counter-blast from Mr Michael Black, the company's former chairman, to last week's criticisms of his management by the current chairman, Mr James Rowland-Jones.

Mr Black, who resigned in April, sent a two-page letter to Bremner shareholders outlining his version of the events leading up to the boardroom row which preceded his decision to step down.

In his annual report, sent to shareholders last week, Mr Rowland-Jones put much of the blame for Bremner's loss of £1.03m in 1985-86 on Mr Black and on another director, Mr Lionel Casper, who resigned at the same time.

Mr Black asked in his letter: "Has he (Mr Rowland-Jones) forgotten that I alone didn't run the company, a six-man board of directors did? Is he suggesting that the board were oblivious to the actions that were being taken each day?"

Mr Black said that when he joined Bremner in April 1985 "it was an out-of-date, loss-making department store occupying an enormous site which was far too large for its trading requirements."

He rejected Mr Rowland-Jones' claim that the precipitate closure of departments at Bremner had led to heavy losses.

Mr Black also rejected Mr Rowland-Jones' criticism of his efforts to diversify the group. He said it was agreed board policy to investigate, with a view to acquisition, companies which were profitable and in a distinctive sector.

Mr Rowland-Jones said some of the invitations to join Mr Black on visits to companies were made at too short notice for him to do anything.

Mr Black said he and associates owning 1.45m Bremner shares — 16 per cent of its equity — would vote against the confirmation of Mr Rowland-Jones' appointment

USM quote for Soundtracs

By Richard Tomkins

Soundtracs, London-based maker of mixed consoles for the sound recording market, is coming to the USM at a value of £4m, through a placing of 2m shares at 40p a share.

Soundtracs was started in 1973 as a maker of discotheque equipment, but as the market grew more competitive it switched to the manufacture of audio mixing and sound enhancement equipment.

Its consoles are used in studio recording, live performances, film and video post-production, radio and television. More than 80 per cent of production is exported and it claims 2 per cent of a global market.

Pre-tax profits have risen from £9,000 in 1981 to £329,000 for the year to last November on sales up from £287,000 to £1.8m. For the present year, the company is forecasting profits of at least £500,000, putting the shares on a prospective price/earnings multiple of 11.9.

All of the shares being sold, which represent 22 per cent of Soundtracs' enlarged equity, are new and will realise about £600,000 net. Mr Todd Wells, chairman, says the proceeds will aid research and development and may ultimately be employed in setting up a second manufacturing unit in the north of England.

Tan Sri/Exco

Tan Sri Khoo Teck Puat, the Malaysian businessman, has bought a further 1.75m shares in Exco International, the money broking group, taking his total holding to 63.95m shares or 27.3 per cent of Exco's equity.

Henry Denny

A receiver has been appointed to Henry Denny and Sons (Ulster), a subsidiary of Henry Denny and Sons, bacon curer and meat packer, whose shares were later suspended pending a further announcement.

The ultimate holding company is E. M. Denny. The board says the remaining group companies, Henry Denny and Sons and E. M. Denny and Co., will continue to operate and are not under the control of the receiver.

Framlington expauds in unit trusts

BY CLIVE WOLMAN

Framlington Group, the unit trust managers, yesterday announced an agreed £12.5m bid for Throgmorton Investment Management Services, the company which manages the four Throgmorton investment trusts.

The combined group, Framlington Investment Management, which will have assets under management of £1.2bn, aims to expand its pension fund management operations. In another deal announced yesterday Framlington is to form a joint venture with a Pennsylvanian firm, Pilgrim Baxter Hoyt and Greig, to market an international investment management service to pension funds in the US and Canada.

Framlington was set up by partners of the stockbrokers Laurence Prust, in 1969. After achieving a successful investment management record, it was floated on the Unlisted Securities Market in 1983 and now has £800m under management. Framlington is in the process of being spun off from Laurence Prust as part of a complex deal in which the bank Credit Commercial de France has acquired a 29 per cent stake in Framlington which will in turn acquire the discretionary fund management business of Laurence Prust.

Throgmorton has £400m under management, of which over half is in the Throgmorton Trust which since 1983 has launched two controversial takeover bids for other investment trusts based in Scotland. Throgmorton's managers, like Framlington's, have established a reputation for spotting attractive small companies with strong growth prospects.

According to Mr Bill Stuttaford, Framlington chairman: "The deal makes an extremely attractive fit from both our points of view. We have private clients and unit trusts while they have investment trusts, which will offer us greater stability of income." He added that the two investment management teams would be able to pool their expertise in the small company sector.

Framlington will pay the shareholders of Throgmorton in the form of preference shares convertible into equity until 1998 and cash and near-cash worth £2.4m. The shares in Throgmorton are held mainly by the Throgmorton investment trusts which will own just under 15 per cent of the equity of the combined Framlington Investment Management company, after they have exercised their conversion rights.

The share prices of the Throgmorton investment prices rose slightly after the announcement yesterday to reflect the conversion of their stakes in Throgmorton Investment Management into quoted securities. In the year to December 1985, Throgmorton's pre-tax profits were £1.4m and those of Framlington were £1.9m.

London Scottish Finance up 13%

A 13 per cent increase gives London Scottish Finance Corporation a pre-tax profit of £954,000 for the half year ended April 29 1986, compared with £845,000.

New business activity was particularly strong in November and December, the directors report. It slackened off during the rest of the period but is now showing signs of revival.

Turnover moved up to £6.8m, from £5.89m, and financing costs were higher at £756,000 (£600,000). After tax £270,000 (£260,000) the net profit for the period comes to £684,000 (£585,000), for earnings per 10p share of 2.9p (2.5p).

The interim dividend is increased to 0.9p net, against a scrip adjusted 0.72p at a cost of £215,000 (£170,000).

● **comment**

Plying financial services to blue collar workers has done little harm to the Trustee Savings Bank, nor to London Scottish's profits growth. In many ways this set of results reads like a paradigm of perfect reporting with respectable increases in both turnover and profits, but with turnover increasing at a marginally faster rate. The demand for personal loans was fairly erratic in the first six months of the financial year, but has increased markedly in recent weeks buoyed by the advent of summer holidays and lower interest rates. London Scottish anticipates increased demand for the rest of the year and is prepared to expand its borrowings—still a relatively modest 140 per cent—to accommodate it. If increased use of credit cards has eaten into demand for small personal loans, London Scottish has been more than compensated by the rise in demand for its debt collection facility. An acceleration in profits to £2.25m seems feasible for the year as a whole producing a p/e of 8.5. Yet there is little scope for growth in the multiple given that the company intends to stick to its core area of activity after a series of unsuccessful forays into other areas. Venture capital, for example, has absorbed a great deal of effort and energy in the last year or so for relatively little return.

Chamberlain Phipps hit by setback in overseas footwear

SECOND HALF profits of Chamberlain Phipps improved over the first, but the result for the year ended March 31 1986 still showed a reduction, from £5.64m to £5.14m.

The group makes sealants and footwear components. UK operations increased their profits, but the overseas side involved in the manufacture of footwear components suffered a setback, encountering particular difficulties in North America and currency conversions.

In Vinaflex Canada, profit was depressed by the cost of a substantial factory relocation from which benefit will come this year, and Vinaflex America was closed and full provision of £1.28m made as an extraordinary item.

Despite introduction of new products, these could not compensate for loss of sales following the decimation of the American footwear manufacturing industry because of sharply increased imports, explains the chairman Mr Frank Chamberlain.

He says that closing Vinaflex America, as well as further development in the manufacture of adhesives, will produce growth in the current year, but he hopes there will not be the same adverse effects from fluctuations in exchange rates.

Turnover in 1985-86 rose to £97.19m (£93.94m) but operating profit fell to £6.43m (£6.75m) and interest charges were £1.32m (£1.14m). By the year-end borrowing had been cut by £1.2m.

Earnings for the year dropped from 7.82p to 6.87p, but the dividend is lifted to 4.05p net (3.85p) with a final of 2.95p.

Tax took £2.18m (£2.42m), minorities £402,000 (£335,00) and profit sharing scheme £103,000 (£92,000), to leave the net balance at £2.45m (£2.79m). Extraordinary charges come to £1.55m (£450,000) leaving the attributable profit well short of covering the dividend cost.

● **comment**

Unexciting figures from Chamberlain, Phipps which were presaged by the interim results. The shoe components division held up well in a static market and the closure of the loss-making American plant will allow this year's figures to show further growth. Adhesives, once the great hope of the company, have not yet benefited from management changes and the outlook remains dull for this year. Profits are likely to climb only to £5.5m, which on a 35 per cent tax charge puts the shares, at 87½p, on a prospective p/e of 9.5. Even at that level, the shares need the support of the 6.7 per cent yield.

Scott Greenham up 47%

Scott Greenham Group, a specialist heavy lifting and access services company, lifted pre-tax profits by 47 per cent from £2.09m to a record £3.08m for the year ended April 3, 1986.

After adjustment for the benefit of new money received following the company's listing in April 1985, this increase represents an organic growth in profits of about 25 per cent.

Turnover for the 52 weeks was £14.34m (£13.15m for 53 weeks). Tax charge remained at 35 per cent and took £1.08m (£735,000) giving stated earnings per share up from 8.45p to 10.02p.

A final dividend of 2.3p makes a net total of 3.3p per share. This represents a 10 per cent increase over the dividend which would have been payable had the shares been listed during the previous financial year.

The group has concentrated efforts on giving breadth to its product base by consolidating its moves into specialist contract heavy lifting and the access industry.

A number of acquisition opportunities have been under review and the board expects this work to bear fruit in the current year.

The group's involvement in the access industry expanded rapidly in the year. It now operates 250 units out of five depots, compared with 100 units out of three depots at the time of flotation

Yellowhammer above forecast

Yellowhammer, the advertising agency which came to the USM last July, has achieved taxable profits 7 per cent above forecast at £1.23m for the year ended March 31 1986. This is compared with a previous £650,000 after an exceptional debit of £129,000.

And from earnings per 5p share of 6.9p (3.2p) shareholders will receive the promised 1.6p dividend, with a final payment of 1p.

Turnover expanded from £17.68m to £26.18m during the year from which operating profits of £919,000 (£689,000) were derived. These were boosted by interest receivable up from £90,000 to £307,000.

Mr Jon Summerill, chairman and managing director, says that in the current year he expects each division to provide good organic growth while the group will continue to seek sound acquisitions both here and abroad.

The chairman states that substantial organic growth was achieved from the core businesses of Yellowhammer Advertising and Domino while expanding the range of services offered to clients with the setting up of Propeller, a new high technology typesetting company, and Axle, a public relations, publishing and promotions division. Both of these new operations are already contributing to profits, he adds.

The group has also continued its policy of investment for the future. Domino, the artwork and production services subsidiary has moved into 10,000 sq ft premises in Holborn, London, to provide additional room for expansion of the studio plus space for the new typesetting company.

Both Mr Summerill and Mr Jeremy Pemberton, director, who together own 7.78m shares, have waived their entitlement to the interim and final dividends.

Courtaulds Clothing up 30% to near £20m mark

Courtaulds Clothing, a subsidiary of the international textiles, chemicals and industrial products group, lifted pre-tax profits by 30 per cent from £15.03m to £19.53m in 1985. External turnover rose by 9 per cent from £373.22m to £408.36m.

There was steady growth in sales in all the company's businesses. Margins came under presure.

Results and prospects for the operations continued to benefit from the increased rate of expenditure on technology. Concentration on design and management development remained key policy in all areas.

UK operating profits increased from £18.37m to £23.36m, while overseas made a positive contribution of £227,000 (£78,000 loss). Share of related company losses was £49,000 (£136,000) and interest payable, net of investment income, came to £4.01m (£3.13m).

Earnings per share rose from 14.8p to 18.59p, before extraordinary items. UK tax, including ACT, took £24,000 (£25,000) and overseas £24,000 (£196,000). There were minority credits of £65,000 (£96,000), while extraordinary charges, net of realisation profits, accounted for £1.21m (£1.68m).

Last month, Courtaulds announced an 11.5 per cent rise in pre-tax profits from £128.2m to £143m for the year ended March 31 1986.

Property Partnerships

Property Partnerships, the investment and hotel owning group, reports a pre-tax profit of £1.13m for the year ended March 31 1986, against £1.12m. The dividend is 6p (equivalent to 5.2 per cent) with a final of 3.5p from earnings of 14.8p (12.4p).

At March 31, net assets attributable were 341p per share, before potential CGT. Investment properties have been valued at £15.13m (£14.18m).

Balance of assets replacement reserve—£425,000—has been written back to retained profit, as this is considered no longer necessary.

Changing pattern cuts Flexello first half

A SHIFT in the pattern of profits has led to Flexello Castors & Wheels showing a reduction in the first half, to March 31 1986, from £433,055 to £268,491.

In the half year the group has incurred above normal costs in restoring and improving customer services, which could not be maintained in the last quarter of the previous year because of very high demand.

One effect of the improvement was some destocking by customers and this adversely affected turnover in March—over the period it was little changed at £6.41m. However, the current order book reflects that normal ordering pattern has been resumed.

High demand in the final quarter will continue to be a feature of the trading pattern, and plans are in hand to accommodate this. In the short term this has absorbed liquidity and increased interest charges (up from £38,000 to £81,000 in the half).

The strong pound hit the Australian subsidiary and it incurred an operating loss. Price increases, however, have restored gross margins to an acceptable level.

Earnings for the period are 4.65p (7.35p). The interim dividend is raised to 1.3p (1.2p) net.

Carroll static and warns of second half fall

PRE-TAX profits improved slightly in the six months to the end of March 1986 for Carroll Industries, the Dublin-based cigarette and tobacco manufacturers. However directors warn that problems in both the tobacco and pharmaceutical divisions could result in a fall for the year as a whole.

On turnover up at I£142.38m (I£128.27m) against I£134.31m pre-tax profits were I£6.18m (I£6.04m). From earnings per share of 6.9p (6.8p) the interim payment is being maintained at 2.8p.

The tobacco division maintained its share of the falling Irish home market, slightly offset by a small increase in exports. Operating profits showed an increase after a favourable exchange rate adjustment.

However since the end of the period the export outlook has deteriorated and the factory is working short-time.

In pharmaceuticals, operating profits remained the same despite a rise of about 6 per cent in sales. With the appreciation of the Irish punt against sterling directors expect second half profits to fall.

Cranswick Mill record results beat forecast

RECORD PROFITS in the pig feed and grain divisions helped Cranswick Mill Group achieve its best pre-tax profits of £840,000 in the year to March 29 1986. That was 23 per cent up on the previous year's £685,000 and above the forecast of £825,000 when the Humberside animal feed company joined the unlisted market at the end of last year.

It was achieved on turnover up by 4 per cent from £34.24m to £35.6m. Earnings per 10p share came out at 11.6p (10p) and, as forecast, there was an initial dividend of 2.66p.

Mr Richard Marginson, chairman, says the present year has started encouragingly. The installation of a second production line, increasing pig feed production by 60 per cent, is almost complete and the company has been strengthened to allow it to increase market share.

He adds that the number of pigs being sold through the livestock division remains buoyant with an increasing number being signed under annual contracts.

The tax charge was £330,000 (£300,000) and with dividends taking £149,000 (£87,000) the retained profit for the year was £361,000, against a comparable £298,000.

Millward better than expected at £902,000

Compared with a forecast of £870,000, Millward Brown, the market research concern which joined the USM last November, produced pre-tax profits of £902,000 for the year ended March 31 1986. This is against a previous record £508,000, a rise of 78 per cent.

Turnover expanded by 28 per cent over the 12 months from £5.18m to £6.63m.

Mr Maurice Millward, chairman, says the profits rise reflected a marked improvement in margins associated with tighter controls and more efficient systems.

He adds that the company has further broadened its client base over the past year and new clients include Bowater Scott, Ford Motor Co, Lever Bros, W. H. Smith and Sealink.

Progress has been made in advertising tracking studies, a technique enabling advertisers to assess their effectiveness compared with competitors. As at March 31 last, the company was conducting 73 studies, against 57 at the same time last year.

Lynton Holdings hits £2.4m and plans expansion

LYNTON HOLDINGS, engaged in property investment and development, increased its 1985-86 profits by £931,000 to £2.37m pre-tax and is looking to the future with confidence.

The directors say with the benefit [illegible] of cash and substantial facilities the company is well placed to take advantage of opportunities.

Gross rental income for the past year (to March 31 1986) improved from £3.96m to £5.17m and income from investment properties expanded from £3.03m to £4.07m. Profit from property trading amounted to £37,000 (£293,000).

Earnings came through at 14.38p (13.19p) after tax of £382,000 (£48,000 credit) and a final dividend of 4.26p (3.63p) makes a total of 7.26p (6.05p) net per 20p share.

At year-end net borrowings stood at £10.37m (£13.31m) allowing for bank balances and cash amounting to £4.71m (£3.19m).

A revaluation of investment properties threw up a surplus of £1.54m (£1.63m). Net asset value increased to 423p (409p).

Moss Advertising hit by loss of a major client

THE Moss Advertising Group saw its profits fall from £231,000 to just £7,000 pre-tax in the first six months to February 28 1986.

The directors blame a number of factors, including the loss of a major client whose annual billings were expected to be in the region of £1m.

A substantial amount of new business gained during the period resulted in a greater proportion of space sales compared with higher-margin production.

Provision was made in full for doubtful debts totalling £110,000. Some recovery is anticipated and debtor insurance limits are now under "critical" review.

A direct marketing venture initiated during the half year proved unsuccessful and was terminated at a cost of £30,000.

Mr Stuart Pearson has been appointed finance director. He was formerly a partner with the group's auditors.

Earnings emerged at 0.42p (4.3p) and as promised at the time of entry to the USM last July an interim dividend is being paid amounting to 1p per 5p share.

James Crean

James Crean has received acceptances for 95.6 per cent of the 4.54m shares it issued through a one-for-four rights.

The remaining 198,107 shares have been sold in the market and the net proceeds will be sold to provisional allottees except for amounts less than £2.

Marshalls Halifax expansion continues

Marshalls Halifax has increased its pre-tax profit by 20 per cent to a record £7.19m in the year ended March 31 1986, and this confirms the continued and planned expansion of the group, says the chairman Mr David Marshall.

He adds that as to the current year, "we have made a promising start."

In concrete and quarrying sales rose to £54.35m (£46.38m) and trading profit to £6.82m (£5.78m). This side continues to reap the benefits of sustained investment programme in both extra capacity and more efficient machinery.

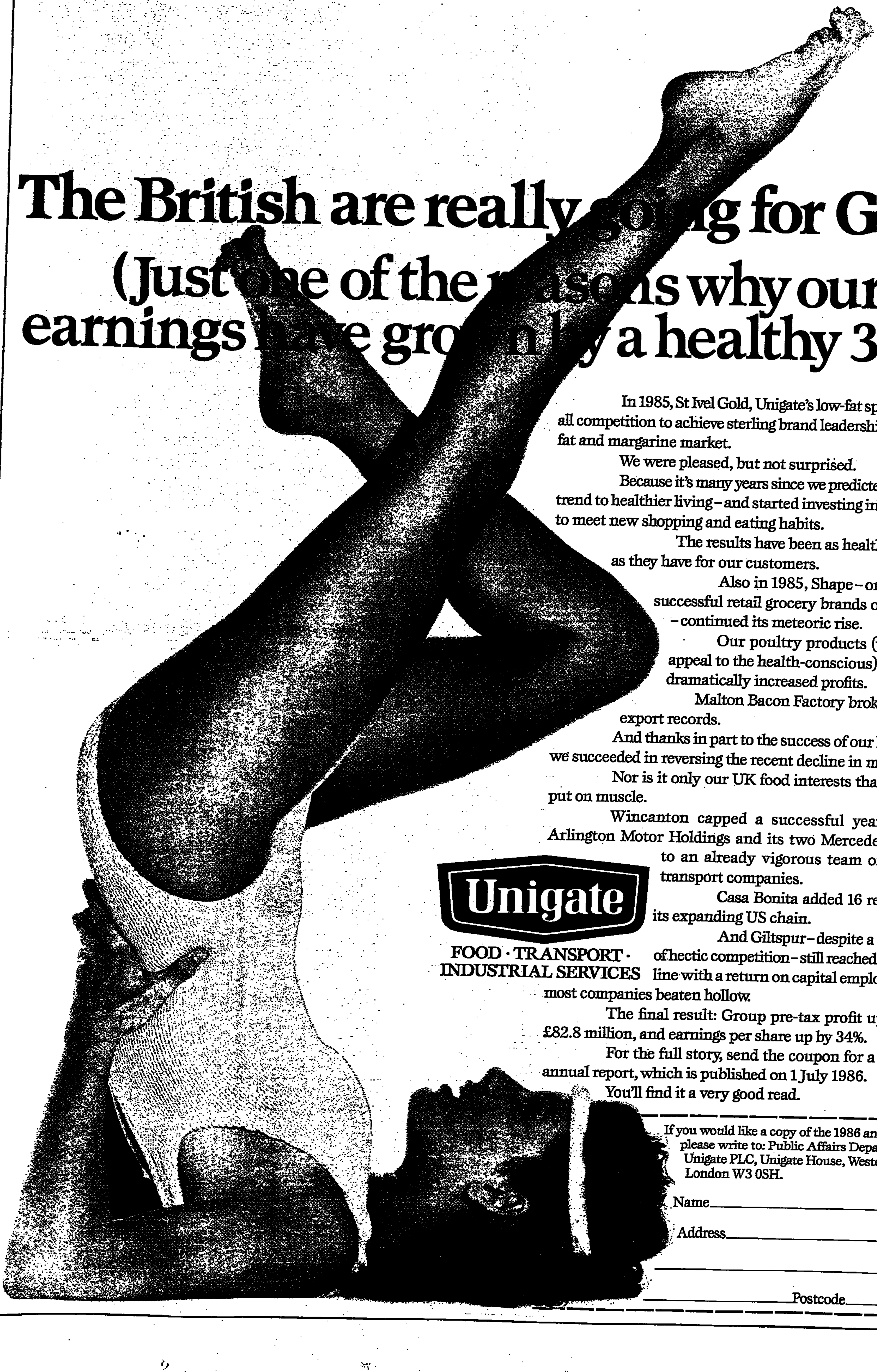
In engineering turnover was held at £14.99m (£14.59m) but its profit rose by 26 per cent to £960,000.

A hefty tax charge leaves earnings down from 14.48p to 12.11p. However, the dividend is raised from a scrip adjusted 4.5p to 5.25p net, with a final of 3.75p.

The tax charge was £2.53m (£1.60m) and minority losses £1,000 (profit £1,400), to leave a net profit of £4.66m (4.9m). There are extraordinary charges of £115,000 (£42,000).

● **comment**

MARSHALLS HALIFAx ADD Another year of sturdy growth for Marshalls Halifax produced pre-tax profits well up to expectations; but earnings dilution from the December 1984 rights issue and a tax charge soaring from 18 per cent to 35 per cent took its toll at the net profit line. In that sense the booming market for concrete paving, which grew by 28 per cent last year, was a mixed blessing: Marshalls might have reaped strong volume growth by hanging on to its 35 per cent share, but the capital spending on new cpacity which enabled it to do so attracted a declining rate of tax relief with consequent damage to earnings. The past year, however, has probably marked the bottom of the trough. The tax rate should now stabilise, and with volumes increasing into the current year, pre-tax profits of £8.5m should bring earnings back up to the 1985 level. A prospective p/e of 12 seems a fair enough rating for what should now become a nice little earner.



THE MANAGEMENT PAGE: Small Business

EDITED BY CHRISTOPHER LORENZ

Rolling the dice on a cure for cancer

Terry Dodsworth on the exceptional support available for US risk-takers

DRUG MANUFACTURING is not a business which looks, on the face of it, particularly appealing to small companies.

The average *gestation period* for a successful new product is generally reckoned to be around seven years—while development costs run typically to between *$30m and $40m*. The practicalities of such an expensive, intensely research-based activity tip the balance heavily in favour of large established enterprises.

Yet it is not impossible, says Bob Fildes, chief executive of the Californian-based Cetus group, for a small business to break into the drugs field. Indeed, he believes that Cetus, one of the earliest and largest of a batch of entrepreneurial bio-technology companies launched in the US over the past 15 years or so, is well ahead of some much larger rivals in development work on two anti-cancer, genetically-engineered products, Betaseron and Interleukin-2.

"Stage two clinical trials on our products have started *already*," he says. "*I don't* think we shall be beaten."

Cetus's strategy for putting itself on the medical map, starting from little more than some bright ideas from a group of experienced research scientists in 1971, would probably have found it far harder to attract such large sums of private sector finance in any other country.

In many ways, the company's growth underscores the exceptional degree of support that is available to risk-takers in the US from a variety of sources—the tax system, private investors willing to roll the dice on a new idea, and the country's all-pervading entrepreneurial spirit.

All these things have enabled it to raise equity finance on a scale—$190m so *far—that* permits Cetus to compete on more or less equal terms against much longer established and larger US drugs groups—an opportunity denied to less generously funded European equivalents.

That is not to say that Cetus is assured of success—yet its *financing seems well implanted* for the next two to three critical years. Two elements in particular in the financing arrangements illustrate the depth of the resources available to US start-up companies.

The first is the access to public equity funds. These *have flooded into Cetus on two* separate occasions, the first in a $110m offering on the Nasdaq over-the-counter market (OTC) in 1981, and the second in a further $50m issue five months ago. Before going to the OTC, Cetus had raised about $30m in private venture capital.

Admittedly, the original funds were raised at a time when biotechnology was regarded as a high-flying sector. And the company went to the market with the backing of three large industrial groups which had nursed it through its infancy when it was surviving mainly by doing contract work for longer corporations in agriculture and health care.

Only a handful of British companies get involved with small outside ventures in *this way. After* the issue, these three heavy-weight supporters, Amoco Technology, Chevron and National Distillers and Chemical Corporation, were *left with 47 per cent of Cetus*, since diluted to just under 30 per cent. The fact remains, however, that the funding operations have left Cetus sitting on an *ample cushion of $135m* currently bringing in interest income of about $10m a year.

Generous

The second unusual aspect of the financing lies in an investment device called a limited research and development partnership, employed extensively by US venture capital groups. Investment partnerships consist of groups of wealthy investors normally assembled by Wall Street investment banks, and willing to put up high-risk money to entrepreneurs. In return, the investors receive generous tax breaks and the promise of eventual above-average returns.

Under the structure of Cetus's plan, 750 limited partners are providing $100,000 each to generate a total of $75m for research and development in the four years from 1983. In its first two years, the partnership provided $50m. In the current two it will hand over the balance.

Virtually 100 per cent of the investments the partners make can be written off against tax—meaning that individuals who fall into the 50 per cent tax *bracket* are *effectively* only putting $50,000 at risk. Once the products backed by the patrnership are on the market, the investors receive a 7 per cent royalty on sales, a favourable way of receiving income in the US, since royalties are mainly taxed at only the 28 per cent capital gains rate.

Finally, there is a further potential kicker for the partners in the form of an option for Cetus to buy out the limited *partners'* share in the investment organisation for $19m, giving them each a potential capital gain of $25,000 (also taxed favourably), while they retain the royalty rights to the products in the US for around another 10 years.

"It is a high risk investment for the partners but they are *aiming for a return of around* 30 to 35 per cent," says Fildes. "For the company, the partnership is a very attractive financing vehicle. It receives a *steady flow of research and* development dollars, along with final ownership of the products if it exercises its options."

Cetus has found one other avenue of finance which might not be so readily available elsewhere in the world — joint ventures with large corporations. In these deals, the company has linked up with three bigger groups— W. R. Grace, Perkin-Elmer and Kodak—to provide research skills in new technologies which interest its partners. Cetus has stood out for equity stakes of around 40 per cent in each of the joint projects, avoiding the usual royalty-only agreements which are *often* foisted upon smaller companies.

With W. R. Grace, the chemicals company, for example, *Cetus is working on* the exploitation of biotechnology techniques in agriculture, and with Perkin-Elmer, the precision instrument group, it is involved in biotech instrumentational devices.

Because of the income flowing from the research partnership and the interest on its cash *hoard, Cetus has* been able *to* show a profit over the past two years. But this amounted to only a minuscule $1.2m in 1985, mainly reflecting the treatment of the various R and D funds as income, rather than the sale of drugs. Real profits will only *begin to flow if it can make the* transition to a fully-fledged company with successfully developed products being pushed down its own production lines *and into the market*.

Fildes contends that, having largely overcome the financing problem, a small company like Cetus stands just as good a chance *as a larger, established* organisation in the race for improved cancer therapies.

Since there are only about 600 significant cancer-treating institutions in the US, covering the market is a relatively easy proposition compared, say, with selling an anti-biotic—it can probably be done with a sales-force of between 50 and 100.

At the same time, the market is so large, and expanding so fast, that there is no reason why a small company should be crowded out. Cetus believes that sales of cancer drugs in the US alone stand at around $2bn today, and will grow to about $6bn in the next 10 years.

"If we only capture 10 per cent of that," says Fildes, "We shall be generating $600m. It is not an unreasonable target *to think about becoming a $1bn* company by the end of 1995." These are clearly lofty aims. But the risk-takers who are backing Cetus are clearly giving *the company a fair chance of* attaining some of its targets. At current prices, its shares stand on a price-earnings ratio of around 600.

Bob Fildes: not impossible for a small business to break into the *drugs field*

In brief...

MARCH Investment Fund, the *three-month-old* Manchester-based venture capital group, has just completed its first investment.

The £5.4m vehicle, formed in response to a dire shortage of venture capital in the north of England, has put £1m — a little over half the total *purchase price* — into the management buy-out of Bulldog Tools, the Wigan maker of garden implements.

March is prepared to invest sums of between £250,000 and £1.5m in established ventures. Details from Richard Marshall on 061-834 9720.

●

3i (INVESTORS IN INDUSTRY) is offering what it claims to be a new kind of loan for businessmen looking for flexible long term finance.

The so-called "reverse droplock" allows long term borrowers to pay fixed interest rates for the first three or five years with the option to switch to variable rates thereafter.

"We believe there is now a low plateau in interest rates and this offers an opportunity ... to finance new ventures or refinance existing borrowings at very favourable terms," says Derek Sach, 3i's London divisional director. Details from Sach at 3i, 91 Waterloo Road, London SE1 8XP.

●

THE SMALL Business Action Kit, a 125-page compilation of checklists and guidance for small business advisers, has just entered its second printing.

Nobody is more delighted than Macclesfield Business Ventures, the Cheshire-based enterprise agency, because it is receiving all the royalties. They are the gift of the book's author, John Rosthorn, the agency's founder director, who used the experience of 1,500 counselling sessions with small businessmen at MBV to create the book.

If, as the publishers expect, sales reach 10,000 volumes annually, MBV will get a £7,500 per year income from the book — making it one of its largest as well as most unusual sponsors. Rosthorn was seconded to MBV from ICI for two years. He returned last summer to find himself promoted to distribution manager of the pharmaceuticals division; proof to anxious enterprise agency managers that there can be life after secondment.

Copies of the Small Business Action Kit cost £9.95 from Kogan Page 120 Pentonville Road, London N1 9JN.

Fund managers' lament

BES vehicles face a new threat, reports William Dawkins

BES FUND managers are up in arms over a clause in the Financial Services Bill that threatens to stop them advertising.

The proposed ruling will prevent advertising *by unauthorised* unit trusts — a legal structure which for various reasons BES funds are compelled to follow—but does not affect the increasingly popular one-off share issues made by individual companies direct to the public.

It is feared that several smaller funds without links to stockbrokers' or banks' private clients could be forced to withdraw from the scheme if the *ruling goes through*. This could not come at a worse time for BES funds because they are being pushed increasingly into a backwater by a growing flood *of direct issues*. Under the BES, private individuals can claim tax relief for investing in unquoted ventures.

Members of an informal *group of 12 leading BES funds* managers have pleaded with the Department of Trade and Industry for a rethink. The Bill completed its Commons stages last week, but the DTI is expected to publish a consultative paper on unit trusts within the next fortnight or so to examine whether present regulations are too tough.

Nevertheless, BES funds are very anxious that the advertising ban might still slip through *the net*. "It will certainly affect the viability of a number of funds and will certainly restrict our own," says Donald Workman of Castleforth Fund Managers, which *handles £2.6m* of BES investment.

Funds are under greater pressure than ever before to market aggressively to a public which is tending to perceive managed BES vehicles as dull and pedestrian. "One of the attractions of the direct issues is a sense of being able to pick winners—a bit like a race card, while funds seem safe and boring. We are up against a serious marketing problem," says Workman.

Revealingly, County Bank Development Capital, one of the biggest players in the BES fund business with £6.4m under its control, has decided not to launch a fund for the time being this year, though it stresses it might change its mind later. Andrew Davison, the development capital group's managing director, explains: "There are a lot of specific issues right now and fund investment is rather time consuming compared with some of our ohter activities." *Several* other top BES fund management groups are believed to be thinking along the same lines.

Workman, however, plans to go ahead with his third Castleforth fund later this year, while Charterhouse, Lazard, Hoare Octagon and Alpha, *among others*, have *already* started to pitch for investors' cash.

Edward Cumming-Bruce, a director of Alpha BEF Management, adds: "It is undoubtedly bad news," though it is good news for his lawyers who are busy looking for ways in which BES funds might be able to avoid having to set up as unauthorised unit trusts.

The problem is that while the Bill will permit authorised unit trusts to advertise, unit *trusts* cannot be authorised unless they guarantee that investors will be able to trade units at will—a facility which any fund for unquoted shares would find extremely difficult to offer. Moreover, BES funds cannot escape the proposed advertising ban by turning themselves into investment trusts, since that way they would count as financial companies, which are not allowed to offer BES tax relief.

Marketing ignored at peril

ALL TOO many British owner managers feel that marketing and market research are luxuries they cannot afford.

Emerging high technology ventures in particular tend to spend their early years dealing primarily with sub-contracted work from a small number of customers, a situation which can easily lull them into a false sense of security and over-dependence on a few key buyers. The pressures on such businesses to ignore marketing are underlined in a report by Trevor Watkins and Robert Blackburn of the Dorset Institute of Higher Education's Department of Business Management.

"Generally life in the small firm is based on day-to-day survival rather than following a well thought-out marketing plan. This deficiency in marketing can and often does cause crises to occur," warn the authors.

They interviewed 106 owner-managers of small electronic and electrical ventures in Dorset and found that less than half of them had a sales or marketing department. Nearly 90 per cent of the sample had up to 50 staff, yet the average number employed in sales and marketing was a mere 1.19 per business. Only a quarter of the managers surveyed claimed to have some previous marketing experience "which is relatively small given the importance of marketing in business development," say the authors.

This lack of experience makes it all the easier for small *businesses to slip into comfortable* sub-contracting arrangements, often built on contacts which the founder has "poached" from previous employment.

This situation "can make the newly formed small firm very vulnerable to the fortunes of these few buyers and this is a common barrier to growth or reason for failure," warn the authors. If success is to be possible, the small business has somehow to break out of this dependence.

But that is not as easy as it sounds. More than 80 per cent of the companies surveyed had developed new products or services over the past five years and accordingly tended to concentrate more on technical developments than marketing new products to new customers.

As a result, any market research which did take place tended to be informal. Typically, managing directors' sales efforts would include product discussions with existing customers—a third of the businesses surveyed only manufactured to customers' designs—which did little to broaden the sales base.

Watkins and Blackburn concede that day-to-day pressures on owner managers are intense. They add: "The need to add marketing skills increases this pressure, at least in the short term, but is necessary if the chances of survival are to be maximised."

Developing Marketing Skills in Small Business, by Trevor Watkins and Robert Blackburn, Dorset Institute of Higher Education, Department of Business Management, Wallisdown Road, Poole, Dorset, BH12 5BB.

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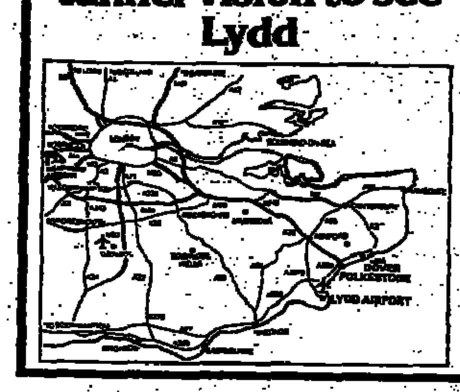

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FT COMMERCIAL LAW REPORTS

Canadian life assurance company taxed on total income basis

SUN LIFE ASSURANCE CO OF CANADA v PEARSON (HM Inspector of Taxes)

Court of Appeal (Lord Justice Fox, Lord Justice Nourse and Lord Justice Balcombe): June 12 1986.

A CANADIAN life assurance company operating in the UK through a branch or agency is not taxed as an independent enterprise but is liable to corporation tax on a portion of its worldwide investment income, calculated on the basis of the proportion of its liabilities to policy holders contracting through the UK branch to total liabilities.

The Court of Appeal so held when dismissing an appeal by Sun Life Assurance Company of Canada from Mr Justice Vinelott's decision (*[1984] STC 461*) confirming corporation tax assessments made on it for accounting periods ending December 31, from 1972 to 1977.

Article 6 of the 1967 Treaty signed between the UK and Canada (Double Taxation Relief (Taxes on Income) (Canada) Order, SI 1967 No. 482) provides: (2) . . . profits of a Canadian enterprise shall be exempt from UK tax unless the enterprise carries on business in the UK through a permanent establishment situated there . . . (3) Where an enterprise . . . carries on business through a permanent establishment . . . there shall be attributed to that establishment the industrial or commercial profits which it might be expected to make if it were an independent enterprise . . ."

* * *

LORD JUSTICE FOX, giving the judgment of the court, said that Sun Life, a Canadian insurance company, carried on *business through a branch or agency* in the UK. Its head office was outside the UK. The case was concerned with its tax liability.

Section 430 of the Income Tax Act 1952 provided that the investment income of an overseas company carrying on life assurance business through a branch or agency in the UK should be deemed to be profits chargeable to tax assessed in the same proportion as the amount of premiums received through the UK office or branch.

The first main issue was whether certain amendments to section 430 were saved by article 6(7) of the 1967 treaty between Canada and the UK.

Article 6(7) expressly saved *provisions of UK law relating to* the tax liability of a life assurance company with its head office outside the UK in respect of investment income if those provisions were in force at the date of the treaty or had, since that date, been "modified only in minor respects so as not to affect their general character."

A modification which affected the general character of the provisions could never be minor.

Since the 1967 Treaty section 430 had been amended by Schedule 14 paragraph 8 of the Finance Act 1969, now incorporated in section 316 of the Income and Corporation Taxes Act 1970. The basis of charge was altered in 1969 from a proportion of world investment income based on premiums to a proportion based on liabilities.

What had happened was that a rough and ready yardstick (liabilities) was substituted for the existing rough and ready yardstick (premiums).

Where both provisions were an imprecise method of calculation designed to produce a reasonable result and the second was not obviously less fair than the first, the changeover from one to another did not result in a change of character in the first.

On the first main issue it was also said on behalf of Sun Life that paragraph 9(2) of Schedule 14 took away or limited a previously unlimited right to set off income tax deducted at source against corporation tax chargeable under section 430, or to claim repayment of such tax.

What paragraph 9(2) did was to limit the amount of income tax deducted at source from UK investment income which could be set off against corporation tax to an amount equal to the proportion of investment income chargeable under section 430. It did not take away any right to repayment or set-off. It was concerned with machinery only.

The second main issue was whether section 316 of the 1970 Act was preserved by article 7 of the 1980 treaty between the UK and Canada (see *SI 1980 No 709*).

Paragraph (2) of article 7 provided that the taxable profits were those which the enterprise "might be expected to make if it were a distinct and separate enterprise"; but paragraph (4) provided that nothing in paragraph (2) should preclude determination of profits "by such apportionment as may be customary" provided the method was "in accordance with the principles embodied in this article."

Section 316(1) of the 1970 Act provided that investment income of an overseas life insurance company, wherever received, should be deemed to be profits chargeable to corporation tax under Case III of Schedule D. By subsection (3) the portion charged was to be determined by formula A × B over C.

A was the total income from those investments for the relevant period; B was the average of liabilities for that period to policy holders whose proposals were made to the company through its UK branch or agency; and C was the average of the liabilities for that period to all the company's policy holders.

The Revenue accepted that section 316 was in conflict with article 7(2). Its case was that the section was saved by article 7(4).

Mr Park for Sun Life, contended that article 7(4) preserved customary provisions relating to apportionment on the basis of total profits. He said it could not authorise a *provision for apportionment of investment income* though taxed as if it were trading profit.

The historic background and the other provisions to the treaty seemed consistent with a wide interpretation of "profits." The language of article 7 itself indicated that "profits" in article 7(2) meant income.

Article 7(4) must be authorising some computation based on apportionment of total profits. In so far as such apportionment was to give effect to the separate enterprise principle, it must to some degree be crude in operation.

The real question was whether the section 316 method of apportionment sufficiently satisfied the separate enterprise principle of article 7(2). On the view taken as to its construction article 7(4) authorised apportionment of world-wide investment income.

Basically, the apportionment imposed by section 316 was the fraction which was the average of liabilities to policy holders resident in the UK over the average of liabilities for all the company's policy holders.

The computation seemed to give in practical terms reasonable weight to the earnings, liabilities and expenses of the UK branch. The result gave *adequate effect to the principles* of section 7.

A subsidiary issue was concerned with the meaning of section 316(3) which provided that in the fraction A × B over C, B was the average of liabilities to policy holders whose proposals were made to the company "at or through its branch or agency in the UK."

Sun Life's British division was divided into five territories, including the Republic of Ireland. There were many local offices and five regional offices within the British division, but they had no power to conclude life policies. Approval was given at the principal office in Cockspur Street.

Sun Life submitted that a proposal was made when the proposer handed the signed form to the local agent and that the relevant proposal, made in Dublin, was not made "through" the British division.

Such a proposal was made through the British division. The statute did not require it to be made "in" the UK.

Mr Justice Vinelott came to the correct conclusion on all three matters under appeal. The appeal was dismissed.

For Sun Life: Andrew Park QC and David Goy (Freshfields).

For the Revenue: J. M. Chadwick QC and Christopher McCall (Inland Revenue Solicitor).

By Rachel Davies

Barrister

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Company Notices

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1. Presentation of the Report of the Board of Directors.
2. Presentation of the Report of the Statutory Auditor.
3. Approval of the balance sheet at February 28, 1986 and income statement for the fiscal year ended February 28, 1986.
4. Discharge of Board of Directors and the Statutory Auditor.
5. *Election of eight (8) Directors, specifically the re-election of all* present Directors, Messrs. Edward C. Johnson 3d, William L. Byrnes, Charles A. Fraser, Hisashi Kurokawa, John M. S. Patton, Harry G. A. Seggerman, H. F. van den Hoven and Finimtrust.
6. Election of the Statutory Auditor, specifically the re-election of the present Statutory Auditor, Maurice I. Sergant.
7. Declaration of a cash dividend from net investment income for the year ended February 28, 1986, and authorization of the Board of Directors to declare further dividends in respect of fiscal year 1986 if necessary to enable the Fund to qualify for "distributor" status under United Kingdom tax law.
8. Consideration of such other business as may properly come before the meeting.

Approval of the above Items of the Agenda will require the affirmative vote of a majority of the shares present or represented at the Meeting, with no minimum number of shares required to be present or represented at the Meeting in order to establish a quorum. Subject to the limitations imposed by law and the Articles of Incorporation of the Fund, each share is entitled to one vote. A shareholder may act at any meeting by proxy.

Dated: May 19, 1986.

By order of the Board of Directors

Fidelity Far East Fund is an Investment Company with the objective of seeking long term capital growth from a diversified portfolio of predominantly Japanese companies. Investment will also be made in companies located elsewhere in the Pacific Basin. At May 27, 1986 the Fund's assets were invested in Japan 90 percent, Hong Kong 6 percent, Australia 2 percent, Thailand 0.8 percent and cash and miscellaneous 1.2 percent. The Fund was launched in November 1979 at 10 Dollars (adjusted for stock split on July 19, 1984). Since launch the offer price of shares has risen by 286 percent to Dollars 38.61. The fund is now valued at Dollars 188M.

Copies of the Offering Circular and latest Quarterly Report can be obtained from Fidelity International at:

P O Box 670, Pembroke Hall,
East Broadway, Pembroke,
Hamilton, Bermuda
Tel: (809) 2950665
Telex: 0280 3318

9 Bond Street
St Helier
Jersey, C.I.
Tel: (0534) 71696
Telex: 4192260

CANADIAN & ORIENTAL OIL LIMITED

Proposals relating to the acquisition of the outstanding shares of Canadian & Oriental Oil Limited ("Cool") by Ranger Oil Limited ("Ranger")
At the meeting of the shareholders of COOL (other than Ranger) held on 12th June, 1986 and convened by direction of the Supreme Court of Hong Kong ("the Court") to approve the prospal for the acquisition by Ranger of the outstanding interests in COOL by a Scheme of Arrangement ("the Scheme"), the resolution approving the Scheme was duly passed. At the Extraordinary General Meeting of the shareholders of COOL also held on 12th June, 1986, the resolution approving the Scheme and the steps required to implement it was also passed.

The Hearing of the Petition to sanction the Scheme is due to be held on 4th July, 1986. Assuming the Scheme is approved by the Court, it is expected to become effective on 5th July, 1986.

By order of the Board of
CANADIAN & ORIENTAL OIL LIMITED
H. Ferrand, Secretary

13th June, 1986. Hong Kong
This announcement has been approved by the Directors of Ranger and of COOL. *Directors of Ranger and of COOL have taken all reasonable care to* ensure that the facts stated herein are accurate and jointly and severally accept responsibility accordingly.

NOTICE TO HOLDERS OF EUROPEAN DEPOSITARY RECEIPTS (EDRs) IN
KOMATSU LTD., TOKYO

We are pleased to confirm that copies of the Annual Report for the year ended December 31, 1985, of Komatsu Ltd., Tokyo, and Consolidated Subsidiaries, are now available to EDR Holders upon application to the following conversion agents: Citibank Branches in Amsterdam, Frankfurt, Brussels, Paris and Milan; and at Citicorp Investment Bank (Luxembourg) S.A., Luxembourg; Kredietbank S.A. Luxembourgeoise, Luxembourg.

CITIBANK, N.A., Depositary.

336 Strand,
London WC2R 1HB.
June 17, 1986.

THE COMMERCIAL BANK OF THE NEAR EAST PLC

HOLDERS of Share Warrants to Bearer *are informed that they will receive payment* of the dividend for 1985 of 30p per share on and after the 17th June, 1986, on surrender of Coupon 58 at the office of the Bank, Bankside House, 107-112, Leadenhall Street, London EC3A 4AE. Coupons must be left three clear days for examination.

N. M. PEGGIE,
Secretary

107-112, Leadenhall Street,
London EC3A 4AE.

Kingdom of Spain
US$ 100,000,000
Floating Rate Notes due 2000

In accordance with the terms and conditions of the Notes, *notice is hereby given that for the interest period* from June 17, 1986 to December 17, 1986 the Notes will carry an interest rate of 7.2375% p.a.

The interest payable on the relevant interest payment date, December 17, 1986 against coupon n° 2 will be US$367.91 per US$ 10,000 principal amount.

The Agent Bank
KREDIETBANK
S A LUXEMBOURGEOISE

MERCURY SELECTED TRUST (SICAV)
10, boulevard Roosevelt
Boite Postale 408,
L-2014 Luxembourg

PAYMENT OF DIVIDEND

Notice is hereby given to Shareholders that following a Resolution passed at the Annual General Meeting of Shareholders held in Luxembourg on 16th June, 1986, a dividend for the year 1985 for the Global Fund of *US$0.25 per share* has been declared.

This dividend will be paid as from 27th June, 1986, against presentation of Coupon No. 1, at the Company's Paying Agent in the United Kingdom:

S. G. Warburg & Co Ltd
33 King William Street
London EC4R 9AS

from whom claim forms may be obtained.
United Kingdom tax will be deducted at the rate of 29 per cent unless claims are accompanied by an affidavit.

MERCURY SELECTED TRUST
17th June, 1986

BANK LEUMI (UK) PLC
US$10,000,000
Undated Primary Capital Floating Rate Notes

The interest rate applicable to the above Notes in respect of the initial interest period commencing 16th June 1986 has been fixed at 7$\frac{1}{16}$% per annum. The interest amounting to US$39.08 per US$1,000 and US$390.78 per US$10,000 principal amount of the Notes will be paid on 16th December 1986 against presentation of Coupon No. 2.

Bank Leumi (UK) Plc
Principal Paying Agent

Contracts and Tenders

TENDER OFFER
Supply of Diesel Generating Sets
Rural Electrification
Escom
Malawi

A loan was granted by the African Development Fund (ADF) to the Government of Malawi for financing the Rural Electrification Project.

It is a condition of the loan agreement that bids are restricted to manufacturers resident in state participants of the ADF and member countries of the African Development Bank.

Specifications of equipment and instruction to tenderers can be obtained from ESCOM at the address given below.

ELECTRICITY SUPPLY COMMISSION OF MALAWI
P.O. Box 2047,
Blantyre, Malawi
Telex: 4246 ESCOM
Telephone: 636000

FINANCIAL TIMES
PUBLISHED IN LONDON • FRANKFURT • NEW YORK

INTERNATIONAL & BRITISH EDITORIAL, ADVERTISEMENT & CIRCULATION OFFICES

For Share Index and Business News Summary, Telephone 246 8026 (number preceded by the appropriate area code valid for London, Birmingham, Liverpool and Manchester).

LONDON RECENT ISSUES

EQUITIES

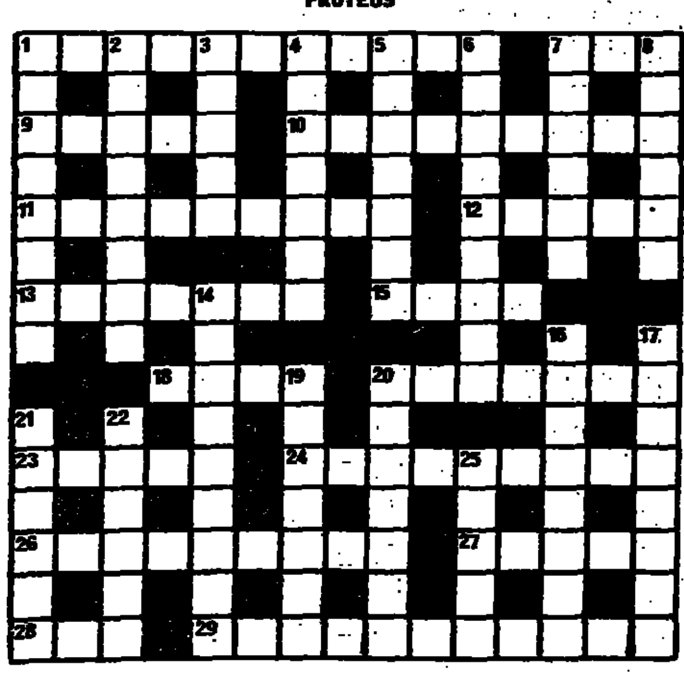
FIXED INTEREST STOCKS

"RIGHTS" OFFERS

Renunciation date usually last day for dealing free of stamp duty. a Annualised dividend. b Figures based on prospectus estimates. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. F Forecast dividend cover on earnings updated by latest interim statement. H Dividend and Yield based on prospectus or other official estimates for 1987. L Estimated annualised dividend, cover and p/e based on latest annual earnings. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. t Indicated dividends; cover relates to previous dividend; p/e ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. ¶ Issued by tender. ‖ Offered holders of ordinary shares as a "rights." ‖‖ Introduction. ** Issued by way of capitalisation. § Placing price. §§ Reintroduced. ¶¶ Issued in connection with reorganisation merger or takeover. ▮ Allotment price. ‡ Unlisted securities market. ‡‡ Dealt in under Rule 535 (3). ψ Dealt in under 535 (4) (e) †† Official London listing.

F.T. CROSSWORD PUZZLE No. 6.049

PROTEUS



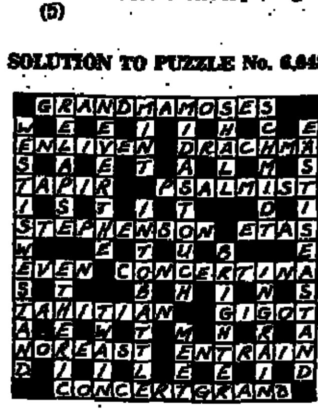
ACROSS

1 Intend trying to cheat guide (11)
7 Talk about shot birds (3)
9 It revolves in opposite directions (5)
10 Arrive in presentable state to make confession (4, 5)
11 Bird seen on some range (9)
12 One artist to pay reverence to (5)
13 Dismiss in disgrace the main handling the dough? (7)
15 The position sounds a mess (4)
18 Knocks over box (4)
20 Coiner of epigrams pertaining to war? (7)
23 One girl going astray (5)
24 Expressing appreciation of churchman to a politician (9)
26 Skill in carrying out capital punishment (9)
27 Muse for ages over book (5)
28 Drink for a child (3)
29 Where witch was taking people in group to obtain backing (11)

DOWN

1 Shell responsible for vehicle getting on at a rapid rate? (8)
2 Shattering trust in a sun-worshipper (8)
3 Partly terrorists' fault (5)
4 Bull-fighter; type to raise stick? (7)
5 When inward smile perhaps is without purpose (7)
6 Sing about Frenchman aspiring to be a magician (9)
7 European school following certain lines (6)
8 Bird with common look (6)
14 Tax on water is a fraud (9)
16 A lot of money to get wild goat in steerage (8)
17 To give a party perhaps brings drama to many (4, 4)
19 Took a turn for the better and reassembled (7)
20 He is sad to see vessel in more trouble (7)
21 Deplore unsatisfactory book (6)
22 Rich man getting model to strip (6)
25 Read election excerpt to girl (5)

SOLUTION TO PUZZLE No. 6,048



FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

AUTHORISED UNIT TRUSTS & INSURANCES

Wardley Unit Trust Managers Ltd (a)
Wardley House, 7 Devonshire Sq, EC2 01-929 1532

American Tst	65.3	70.3xd	+0.3	1.4
Far East & Gen. Tst.	89.2	94.8	-0.2	1.0
Intl Growth Tst.	67.7	72.1xd	+0.4	0.8
Income Tst.	78.5	84.5	+0.5	5.6
Japan Growth Tst	107.5	115.6	-0.4	0.2
Small Cos. Tst	116.2	125.0	+0.3	1.9
Tchnlgy Tst.	34.1	36.6	-0.1	0.2
Australia Trust	42.3	45.4	-0.7	1.8
UK Trust	126.5	134.6xd	-0.1	2.8
European Growth Tst	49.2	52.4	+0.8	1.2
Hong Kong Tst	20.3	21.5	-0.2	1.5

Waverley Asset Management Ltd (a) (c) (g)
13 Charlotte Sq, Edinburgh 031-225 1551

Australasian Gold	16.0	17.1	+0.1	0.15
Pacific Basin Energy	14.3	15.2	-0.1	0.2
Canadian Balncd Grwth	60.5	64.7	+0.4	0.71
Gainse Nze	99.2	103.3	-0.2	8.1

WestAvon Unit Trust Managers Ltd(a)(c)
9 Portland Square, Bristol BS2 8SS 0272 428431

British Smllr Co's (z)	55.2	56.8	+0.4	1.50
British Growth (z)	63.8	65.6	+0.2	1.75
British Income (z)	63.0	64.8	+0.2	4.75
British Extra Yield (z)	51.1	52.6	+0.2	6.50

Whittingdale Unit Trust Managers
2 Honey Lane, London EC2V 8BT 01-606 9085/6

Short Dtd Gilt Fd	67.3	68.4	+0.1	0.59
U.S. Govmnt Bond F	$0.500	0.503	+0.001	—

Windsor Trust Mngrs Ltd
83 Kingsway, London, WC2B 6SD 01-405 8331

Capital & Equity Tst	48.9	52.1	+0.2	7.65
Growth Trust	50.5	53.8		2.28
Income Trust	54.1	57.6	+0.1	5.08

Wright Seligman Fund Managers Ltd
11 Blomfield St, London EC2M 7AY 01-588 0992

Growth Fund	67.8	71.3xd		1%

Weekly dealing day Tuesday

The Yorkshire General Trust
Woodsome Pk, Fenay Bdge, Huddersfield 0484 602250

Y.G.T.	117.8	125.4xd	+0.4	3.54

INSURANCES

AA Friendly Society
(Investment Mngt M & G Inv Mngs Ltd)
PO Box 93 Cardiff CF1 4NW 0222 35542

AA Friendly Sy May 9	—	105.0		—

Abbey Life Assurance Co Ltd
80 Holdenhurst Road, Bournemouth 0202 292373

Prop. Ser. 1	204.2	215.0		—
Equity Ser. 1	102.5	107.9	+0.9	—
Prop. Acc. Ser 2	274.9	289.4		—
Equity Ser 2	108.7	114.5	+1.1	—
Selective Acc.	235.1	247.5	+1.1	—
Prop. Ser 4	217.0	228.5		—
Equity Ser. 4	112.3	118.3	+0.9	—
Fixed Int. Ser. 4	191.7	201.8	+0.7	—
Indexed Inv. Ser. 4	115.8	121.9	-0.2	—
American Ser. 4	263.6	277.5	+2.3	—
High Inc. Ser. 4	280.9	295.7	+1.9	—
Japan Ser 4	228.3	240.4	-1.8	—
Man. Ser 4	347.9	366.3	+1.5	—
Money Ser 4	193.1	203.3		—
European Ser 4	107.9	113.6	+0.3	—
Pension Funds				
Property	351.2	369.7		—
Equity	753.3	793.0	+7.2	—
Selective	247.8	260.9	+1.2	—
Managed	608.8	640.9	+2.9	—
Security	330.8	348.3		—
Fixed Int.	202.8	213.5	+0.7	—
European	107.9	113.6	+0.3	—
American	221.2	232.9	+2.4	—
Japan	235.1	247.5	-2.6	—

Cannon Assurance Ltd—Continued

Index	114.8	121.5		—
Far East	163.0	172.5	+1.5	—
Global	94.8	100.3	+0.3	—
European	95.3	100.8	—	—
Japan	97.3	103.0	+0.1	—
2nd Series Pension Accumulation				
Equity	477.5	505.3	+1.0	—
High Income	315.4	333.8	+0.7	—
Property	276.8	292.9		—
Managed	331.7	351.0	+1.6	—
Deposit	247.7	262.1		—
Gilt	256.9	271.9	+0.9	—
American	384.7	407.1	+5.2	—
International Money	253.1	267.8	+0.3	—
Index	125.5	132.8		—
Far East	175.7	185.9	+1.6	—
Global	96.9	102.4	+0.4	—
European	95.5	101.1		—
Japan	98.0	103.7	+0.1	—
Other Funds				
Equity Units		64.95	+0.28	—
Property Units		21.10		—
Equity Bond/Exec	40.59	42.95	+0.07	—
Property Bond/Exec	28.45	30.11		—
Balanced Bond/Exec	32.90	34.81	+0.14	—
L&E SIF 1	107.5	114.0	+1.0	—
L&E SIF 2	70.5	74.5		—

Chase de Vere Investments Ltd
63 Lincoln's Inn Fields, London WC2. 01-404 5766

Portfolio Mngt Service	130.3	136.9	+0.9	—

City of Edinburgh Life Assurance
46 Charlotte Sq, Edinburgh EH2 4HQ 031-225 1655

Ivory & Sime Bond	98.0	104.0		—
Risk & Reward Bond	120.0	127.0		—
Murray Johnstone Fd	116.0	123.0		—
Money Market Fd	99.0	105.0		—
Ivory & Sime Pens Fd	94.0	100.0		—
Risk & Reward Pens Fd	102.0	108.0		—
Murray Jstone Pens Fd	114.0	120.0		—
Money Market Pens Fd	99.0	105.0		—

City of Westminster Assurance
Sentry House, 500 Avebury Boulevard, Cent Milton Keynes MK9 2LA Tel: 0908 606101/660888

Current Series				
Property Fund	111.8	117.7		—
Money Fund	218.3	229.8	+0.1	—
Managed Fund	398.3	419.3	+0.9	—
Equity Fund	247.4	261.4		—
Fixed Interest Fund	148.6	156.5	+0.9	—
Far East Fund	180.1	189.6	+0.5	—
North American Fund	190.5	200.6	+1.2	—
Natural Resources Fund	129.8	136.7	-0.1	—
$ U.N. Flag Fund	219.5	225.8	+0.2	—
Pension Managed Fund	373.0	392.7	+0.1	—
Pension Equity Fund	238.1	250.7	+0.2	—
PBF Fund	119.9	126.3		—

For other prices please telephone 0908 606101/660888

Clerical Medical/Fidelity International
Narrow Plain, Bristol BS2 0JH 0272 290566

Investment Funds				
Mixed	128.5	135.5	+0.4	—
Equity	149.3	157.2	+1.3	—
Property	107.5	113.2		—
Gilt & Fixed Interest	116.7	122.9	+0.1	—
Indexed Securities	101.9	107.3	-0.3	—
Cash	105.9	111.5	+0.1	—
North American	108.5	114.3	-0.6	—
Far East	114.3	120.4	-0.6	—
International	117.6	123.8	-0.2	—
Special Situations	139.8	147.2	+0.6	—
International Income	135.0	142.2	+0.6	—
American Income	111.2	117.1	-1.1	—
European	129.3	136.2	+1.0	—
Flexible Retirement Plan				
Mixed	131.0	137.9	+0.7	—
Equity	144.6	152.3	+0.9	—
Property	110.6	116.5		—
Gilt & Fixed Interest	123.5	130.0	+0.7	—
Indexed Linked	105.8	111.4	-0.3	—
Cash	113.3	119.3		—
North American	112.6	118.6	+1.0	—
Far East	123.5	130.1	-0.7	—
International	123.0	129.5	+0.7	—
Special Situations	155.6	163.8	+0.7	—
European	141.3	148.8	+1.4	—
Executive Investment Pension Plan				
Prices on June 11. Unit dealings on Wednesday				
Cash Fd.	135.6	199.3		—
Mixed Fd.	189.3	299.3		—
Fixed Int. Fd.	154.5	162.7		—
UK Equity Fd	221.1	232.8		—
Property Fd.	128.7	135.5		—
Overseas Fd.	179.1	188.6		—

[illegible]

INSURANCE, OVERSEAS & MONEY FUNDS

Skandia Life Assurance Co Ltd—Cont
Skandia Gartmore Funds

American	109.0	114.7	+1.7	—
Hedged American	120.3	126.6	+1.6	—
Australian	75.2	79.1	+1.2	—
British	131.9	138.8		—
Commodity Shares	76.1	80.1	+0.5	—
European	153.6	161.6	−0.3	—
Extra Income	153.5	161.5	−0.6	—
Far Eastern	144.8	152.4	+0.5	—
Fixed Interest	118.5	124.7		—
Gilt	105.8	111.3	+1.0	—
Global	136.4	143.5	−0.3	—
Gold Share	53.1	55.8		—
High Income	154.3	162.4	−0.3	—
Hong Kong	108.4	114.1	+0.8	—
Income	166.1	174.8	−0.2	—
Japan	155.3	163.4	+1.2	—
Oil and Energy	88.0	92.6	+0.3	—
Special Situations	136.3	143.4	−0.5	—
UK Small Co. Recovery	148.3	156.1	−0.4	—
Managed	136.0	143.1	+0.3	—

Skandia Henderson Funds
Special Situations 127.0 133.6

Tyndall Assurance/Pensions
18 Canynge Road, Bristol 0272 732241

3-Way		308.1			—
Do Pens		466.3			—
Equity		495.9			—
Bond		262.2			—
Property		197.6			—
Overseas Inv		199.0			—
Man. Pen. 3-W		490.0			—
Equity Pen		837.0			—
UK Equity	213.7		225.0	−0.1	—
Nth American Eq.	170.7		179.7	+1.7	—
Far East Eq.	238.5		251.1	+1.4	—
Fixed	172.1		181.2	+0.3	—
Cash Deposit	122.1		128.6		—
Property	107.0		112.7		—
Special Opp	263.8		277.7	−1.2	—
Managed	199.6		210.0	+0.9	—
Index Linked Fund	117.3		123.7		—
Star Mngd 2	194.2		204.5	+1.0	—
Star Mngd 3	201.4		212.0	+1.1	—
Star Mngd 4	172.4		181.5	+1.0	—
Star Mngd 5	193.3		203.5	+0.7	—

OFFSHORE AND OVERSEAS

Brown Shipley Fund Mgmt (CI) Ltd
PO Box 583, St Helier, Jersey
Sterling Bd(Daily) £9.28 11.59
Sterling Cap (Daily) £21.20
Intl. Bond (Daily) $14.32
Int Currency (Wkd) £1.28

Butterfield Management Co Ltd
PO Box 195, Hamilton, Bermuda
Buttress Capital $14.15
Buttress Equity Acc. $7.40
Buttress Int Acc. $4.54

Money Market Trust Funds

Money Market Bank Accounts

Bank of Scotland
38 Threadneedle St, EC2P 2EH. 01-628 8060
Money Mkt Cheque Acc. 9.00 6.72 9.77 Mth

Barclays Prime Account
PO Box 125, Northampton 0604 252891
High Int. Cheque 9.50 7.10 10.330 Qtr

Britannia Investment Services Ltd.
74-78 Finsbury Pavement, EC2A 1JD. 01-588 2777
Cater Allen 9.50 7.10 10.330 Mth

Charterhouse Bank Limited
1 Paternoster Row, EC4M 7DH. 01-248 4000

Sterling	9.625	7.19	10.47	Mth
U.S. Dollar	6.25	4.67	6.27	Mth
German Marks	4.00	2.99	4.27	Mth
Swiss Francs	1.50	1.12	1.59	Mth
Japanese Yen	4.50	3.36	4.81	Mth

Citibank Savings
St Martins Hse, Hammersmith Grove 01-741 4943
Money Market Plus £25,000+ 7.50 10.93 Mth
For other rates please phone our Rateline 01-846 9768

Co-operative Bank Cheque & Save
78-80 Cornhill EC3 01-626 6543
£500-£2,500 6.69 5.00 7.10 Qtr
£2,500 + 9.38 7.00 10.13 Qtr

Darlington & Co Ltd
Darlington, Totnes, Devon TQ9 6JE 0803 862271
Money Mkt Acc. 9.50 7.10 10.30 Qtr

Edward Manson & Co Ltd
9 Henrietta Place W1M 9AG 01-637 3315
Cheque Deposit Acc. 10.00 7.47 10.38 Mth

Henderson/Bank of Scotland
38 Threadneedle St EC2P 2EH 01-628 8060
Money Mkt. Cheque Acc. 9.00 6.72 9.77 Mth

Legal & General (Money Mngrs) Ltd
355 Euston Road, NW1 3AG 01-388 3211
High Int Dep Acc. 10.37 7.75 11.11 6-mth

Lloyds Bank PLC
71 Lombard St, London EC3P 3BS 01-626 1500
HighIntCheque Account 9.00 7.20 10.42 Qtr

Lombard North Central PLC
17 Bruton St, W1A 3DH 01-409 3434
14-Day Notice 9.75 7.47 10.52 —

M & G/Kleinwort Benson
M & G Hse., Victoria Rd., Chelmsford 0245 266266
H.I.C.A. (£2,500+) 9.31 6.96 10.12 Daily

Midland Bank plc
PO Box 2, Sheffield. 0742 20999 Ext 8655
High Int Chq Acc. 9.03 6.75 9.51 Qtr
£10,000 + 9.36 7.00 9.86 Qtr

NatWest Special Reserve Account
41 Lothbury, London, EC2P 2BP 01-256 9933
£2,000 to £9,999 9.25 6.875 9.94 Qtr
£10,000 and above 9.375 7.00 10.12 Qtr

Oppenheimer Money Mgmt Ltd
66 Cannon St, EC4N 6AE 01-236 1425

NOTES

TRADITIONAL OPTIONS
3-month call rates

COMMODITIES AND AGRICULTURE

Platinum and gold prices fall sharply

By Stefan Wagstyl

PLATINUM and gold prices fell sharply yesterday as investors judged that the 10th anniversary of the Soweto riots in South Africa had passed less violently than they had expected.

In London, the markets opened nervously but prices held firm until investors in the New York markets joined the fray and started selling heavily.

In London, platinum was fixed in the afternoon at $432.25 an ounce, $16.75 down on Friday. Gold closed $8 lower at $339.75 an ounce.

In New York, on the New York Mercantile Exchange platinum for July delivery fell $21.50 to a low of $425 an ounce in hectic trading before recovering to close $17.9 down at $428.7.

On the Commodity Exchange, August gold, which opened at $348.80 an ounce, tumbled to $339. Finally it closed $11.3 down at $337.5.

One trader said: "There were a lot of people in there for only one reason—violence in South Africa. When they saw nothing was happening they sold out."

But he added that the South African Government's reporting restrictions had increased uncertainty in the market. "If there is bad news and it gets out, people will come back and start buying again."

LONDON METAL EXCHANGE WAREHOUSE STOCKS
(*Changes during week ending last Friday*)

	(tonnes)
Aluminium	+850 to 133,000
Copper	+2,825 to 140,100
Lead	−10,600 to 46,775
Nickel	+546 to 8,100
Tin	−780 to 53,050
Zinc	−2,925 to 44,525
	(ounces)
Silver	+70,000 to 37,492,000

Saudi Arabia extends oil discounts for third month

BY RICHARD JOHNS

SAUDI ARABIA is extending until the end of July the price discounts offered to customers on long term contracts.

For the third consecutive month buyers will be offered discounts ranging from 50 cents to $1.15 a barrel—depending on contract size.

The incentive has been sufficient to boost Saudi Arabia's output above the 4.3m barrels a day maximum quota for the Kingdom under the 16m b/d ceiling agreed by the Organisation of Petroleum Exporting Countries in 1984 and still officially in force.

Yesterday industry executives confirmed a report in the latest edition of Petroleum Intelligence Weekly that the Kingdom's production rate from the fields operated by the Arabian American Oil Company and the Neutral Zone (shared 50:50 with Kuwait) was running at 4.6m b/d.

According to PIW, Saudi sales have been further stimulated by the offer of increased discounts for buyers prepared to lift volumes larger than the maximum in existing "net-back" contracts, under which prices are related to spot prices for products less processing and transportation costs as well as an agreed profit margin.

No immediate confirmation of easier terms was immediately available. When the discounts were first offered in May there was some scepticism as to whether they would be sufficient in the face of competition with similar crude varieties from other sources at cheaper prices.

The Saudi Government is understood to have deliberately aimed at such a level justifying it by the fact that the rate had fallen short of the country's quota.

Overall PIW calculates that *Opec's collective output* has reached 19m b/d, the highest point since the winter of 1983-1984. Iran is said to have raised its production to 2.4m b/d and Iraq to 1.9m b/d, the full extent of export capacity.

Some analysts yesterday expressed some scepticism whether the total was as high but agreed that the surge is continuing in advance of the Opec conference scheduled to begin on June 25.

Meanwhile, Mr Abdullah al-Badri, the head of the Libyan National Oil Corporation, said yesterday that the US Administration's order to the five American oil companies with a stake in Libyan operations to cease all operations by June 30 would not affect the country's exports. He said that he would lead a delegation in a final round of talks with companies in Europe next week following inconclusive exchanges in Vienna last month.

Argentina expected to cut grain export taxes

BY TIM COONE IN BUENOS AIRES

THE ARGENTINE Government is shortly expected to approve a reduction in its contentious taxes on grain exports. The taxes have been a source of increasing irritation to Argentine farmers, who claim that they are depressing production *and making Argentina* uncompetitive in the international market.

The Agriculture Ministry has announced that the proposed reductions, applicable to the 1986-87 harvest will bring down the export duty on wheat from 15 to 5 per cent and on all other grains from between 20 and 27 per cent down to a standard rate of 15 per cent.

Official approval is expected from the Economy Ministry within a matter of days.

Further measures to stimulate production are also awaiting approval and include assistance to small and medium producers through the refinancing of outstanding debts, and the waiving of transport charges for more than 500 km on soyabeans produced in the north east of the country.

However, the main farmers' association in Argentina, the Sociedad Rural, has criticised the reductions as being "insufficient"

Cheaper oil should boost rubber demand

By Stefan Wagstyl

RUBBER PRODUCERS should *benefit from the recent fall in* oil prices, says Mr John Carr, Secretary-General of the International Rubber Group in his report of 1985.

Lower oil prices, lower interest rates and falling inflation combine to enhance world economic prospects for the rest of the decade, says the report published yesterday.

These encouraging features do not mean that major difficulties facing the rubber the search for solutions should become easier in the new economic environment, says Mr Carr.

Africa facing 'food disaster'

BY MAURICE SAMUELSON

BY THE end of the century, the US and Canada will be exporting 200m tonnes of grain a year, much of it to developing countries unable to feed their rapidly increasing populations, says a major study of world food and population trends published in New York.

It says the EEC will also be a substantial exporter, thanks to heavy production subsidies, although its output will be easily absorbed by the rest of Europe which is short of grain.

The study, World Resources 1986, claims the human race will grow to 6.1bn by the end of this century and to between 10bn and 11bn by the year 2100. The most dramatic growth will be in famine-ridden Africa which is set to become the most populous region after South Asia.

It says that while the US was not literally "feeding the world," it certainly provided the marginal increase in calories that improved the lot of millions of people in the past decade.

With the exception of North America, and to a much lesser extent Oceanea and the EEC, the world in the early 1980s was consuming annually almost 150m tonnes of grain more than it was producing.

These grain deficit countries had increased their dependence on imports through the 1970s at the rate of 12.5 per cent a year, although they were partially balancing that deficit through the export of many non-grain agricultural products.

"About one of every ten kernals of grain crosses an international border between the time it is harvested and consumed. And for most kernals the trip involves crossing either the Atlantic or Pacific Ocean,

Mr Edouard Saouma, Director General of the United Nations Food and Agriculture Organisation, yesterday demanded better terms of trade for developing countries in order to help them finance development.

"The perception of Third World countries as very junior partners, unwanted competitors or permanent suppliers of raw materials is far too common." Mr Saouma told a ministerial session of the UN World Food Council.

He also appealed for "a massive emergency effort" to boost food production in poor countries so that they could feed themselves.

for by the end of the 1970s fully 87 per cent of grain exports originated in North America."

The study, compiled jointly by the World Resources Institute and International Institute for Environment and Development, cites figures from the World Bank to suggest that by 2100 the population of the developing countries would reach 8.8bn while South Asia's population would more than double from 1.5bn in 1980.

The fastest growth would continue to occur in drought-ridden Africa, with the prospect of Nigeria becoming the world's third largest country, with up to 500m inhabitants. Only China and India would be bigger at the end of the next century, settling down at 1.5bn and 1.7bn inhabitants respectively.

The report says that the earth can "certainly" provide more than enough food and fibre not only for the 6.1bn people expected by the year 2000 but the 10bn or 11bn projected by the end of the next century when the population would *stabilise*.

But it views such "paper calculations" in the context of the hundreds of millions currently on the brink of starvation: "When some people are too poor to purchase food, there will be hunger no matter how much the global agricultural economy produces."

It highlights the "intractable paradox" of record production food and fibres and the spectacle of more than 1bn people in developing countries lacking the cash to buy food and "excluded from the global marketplace that allocates this cornucopia."

While the developing world as a whole improved its per capita calorie intake slightly and the developed world seemed to reach an upper limit, "much of Africa was on a collision course with food and ecological disaster."

One of the major causes of Africa's food and development problems was its population growth rate which between 1974 and 1984 stood at 3.1 per cent a year and burdened farmers with about 1m more mouths to feed every three weeks.

At that rate, Africa would have 1.5bn people—three times its current population—to feed by the year 2025.

Meanwhile, in the same decade world food production was rising at an annual rate of 2.2 per cent, almost 0.5 per cent faster than population growth. But although the developing countries' production outpaced that of developed countries, the 36 least developed nations did not share in the per capita improvement because of much higher birth rates.

Their rate of food production increase, 2.1 per cent a year, was half a percentage point below their population growth.

During the past two years of famine in Africa, the study estimates that more than 1m people died from malnutrition and related diseases particularly in Sudan, Ethiopia, Niger, Mozambique, Somalia, Chad and Mali, but the millions more were saved by more than $1bn worth of food and donations from around the globe.

World Resources 1986, published by World Resources Institute and International Institute for Environment and Development; 353 pages, tables; Basic Books, New York; $16.95.

In defence of protectionism

FARMER'S VIEWPOINT

By John Cherrington

I HAVE always respected the theory that market forces—supply and demand—govern prices. But at the same time, as a farmer, I have feared the effects on my returns of the seemingly arbitrary price changes which can dash my hopes of profit when markets suddenly become unstable.

I remember well the consequences of the last really free market during the 1930s. Low prices drove thousands of farmers off the land in many countries and indirectly caused the dustbowls at the US and their equivalents elsewhere. Only where governments took positive steps to protect their farmers were they able to escape these consequences.

This protection was particularly strong in Europe. Even free trading Britain had begun implementing some farm support in the early 1930s. In France and Germany farmers hardly noticed the world farming crisis, so rigid was the protection given.

At the same time in the US President Roosevelt introduced the acreage set-aside (paying farmers not to grow crops) and in Canada farmers got control of their wheat sales through a monopoly Wheat Board. All these projects succeeded to the extent that large numbers of farmers who might well have left the land remained there, thus ensuring a degree of rural stability in the countries concerned.

Not only temperate food production was so supported. Cartels such as the International Sugar Agreement and others, either national or international, sought to control output to meet demand and so maintain prices. But these international arrangements generally failed.

I doubt if there is any chance commodity markets to be re-established as they once were. Too many countries are seeking self-sufficiency and stability for their farming interests to allow them to become victims of what many people see as irresponsible

Those supporting the free markets, shippers and others traders, deplore these moves but there is no doubt that the overall mood is for managed markets of one sort or another in almost every country and certainly also among some consuming interests.

For instance the supermarket buyers in Britain are increasingly having their requirements grown or raised for them to their own specifications on farms where the processes can be monitored. They don't want to be at the mercy of unstable markets both in relation to price and to quality.

This last point was brought to my notice when discussing with a flour miller the amount of premium the lower yielding high protein milling wheats should earn over rother wheats. He suggested 15 per cent should be a fair reward but qualified it by saying that any structure of premiums could be made a nonsense of by market conditions. This is the crux of the argument. What farmer in his right mind is going to grow a lower yielding variety of anything unless he is guaranteed a compensatory increase in price. He should have some reward for his efforts and it is my belief that the original instigator of the premium should share some of the risks.

It is not as if these days markets were reflecting changes in supply and demand with any accuracy, as they once did. There are so many factors at work which were unthought of even a generation ago: subsidised exporting, subsidised production, and competitive currency depreciations, often contrived so that prices anywhere can be undercut.

It is an irony that New Zealand, which recently abandoned export subsidies, seems to be stuck with a strong dollar which refuses, against all considered expectations to slide.

There is no point, in my opinion, in even trying to re-establish world wide the sort of free markets which at present are used as the dumping ground of surpluses with prices tailored to undercut other suppliers.

Most of the main temperate food commodities cost roughly the same in terms of resources used to produce everywhere. There is no good reason why a country or a group of countries, say the EEC, should not subsidise its own farmers for the amount of its own consumption. But there is every reason why farmers should be protected by some means from subsidised competition.

Protection is frowned on by most economists but there is no evidence I have ever seen that absolute free trade is in the long run of any great benefit to primary producers or to manufacturers, probably because up until now everyone has preached it but seldom practised it. Protection is at least worth another try.

LONDON MARKETS

THE RECENT slide in London coffee futures prices, which was interrupted by *Friday's modest recovery*, was resumed yesterday when nearby values reached new 1986 lows. The September position, which had rallied by £28 on Friday, ended £32 lower at *£1,809.50* a tonne, as bearish fundamental and technical factors overwhelmed the market's seasonal nervousness about the possibility of frost hitting the Brazilian coffee belt. On the London Metal Exchange lead prices gained further ground and a cash premium over the three months position was established as concern about nearby tightness was highlighted by an unusually large 10,600 tonnes reduction in LME warehouse stocks last week. The cash price ended the day £9 up at £293 a tonne while three months lead was only £3.50 higher at £291.50 a tonne.

LME prices supplied by Amalgamated Metal Trading.

ALUMINIUM

	Unofficial close (p.m.) £ per tonne	+ or —	High/low
Cash	780-2	+5.75	781/780
3 months	770-1	−2.25	772/766

Official closing (am): 780-1 (777-8), three months 769-70 (776-7), settlement 781 (778). Final Kerb close: 767.5-8. Turnover: 17,800 tonnes.

COPPER

	Unofficial close	+ or —	High/low
Cash higher grade	953-4	+2	962/951
3 months grade A	942.5-3	−2.75	945/939

Official closing (am): Cash 952-3 (955-6), three months 944-4.5 (950-50.5), settlement 953 (956). Final Kerb close: 944.5-5.5.

Cash Cathodes	930-40	+10.5	—
3 months standard	922-5	−4	—

Official closing (am): Cash 934-40 (927-30), three months 930-40 (930-5), settlement 940 (930). US Producer prices: 67-72 cents per pound. Total Turnover: 23,450 tonnes.

LEAD

	Unofficial close (p.m.) £ per tonne	+ or —	High/low
Cash	292-4	+9	302/297
3 months	291-2	+3.5	297/289

Official closing (am): Cash 302-3 (287.5-8), three months 295-5.5 (290.5-1), settlement 303 (288). Final Kerb close: 292-3. Turnover: 11,900 tonnes. US Spot: 19-23 cents per pound.

NICKEL

	Unofficial close (p.m.) £ per tonne	+ or —	High/low
Cash	2730-5	+25	2740/2735
3 months	2730-5	+15	2750/2715

Official closing (am): Cash 2,724-5 (2,725-30), three months 2,713-5 (2,724-5), settlement 2,725 (2,735). Final Kerb close: 2,725-30. Turnover: 1,580 tonnes.

GOLD

Gold fell $8 to $339¾-340 on the London bullion market yesterday. Violence on the 10th anniversary of the Soweto riots in South Africa, did not appear to be as widespread as earlier expectations. Gold opened at $345¼-345¾, and was fixed at $346.50 in the morning and $330.30 in the afternoon. The metal touched a peak at the opening, and a low of $337-337¼.

GOLD BULLION (fine ounce) June 16

Close	$339¾-340	[illegible]
Opening	$345¼-345¾	[illegible]
M'n'g fix	[illegible]	[illegible]
Aft'n'n fix	$339.30	[illegible]

GOLD AND PLATINUM COINS

Kr'g'rnd	[illegible]	[illegible]
½ Krug	[illegible]	[illegible]
¼ Krug	[illegible]	[illegible]
1/10 Krug	[illegible]	[illegible]
Mapleleaf	[illegible]	[illegible]
Angel	[illegible]	[illegible]
1/10 Angel	[illegible]	[illegible]
New Sov.	[illegible]	[illegible]
Old Sov.	[illegible]	[illegible]
$20 Eagle	[illegible]	[illegible]
Noble Plat	[illegible]	[illegible]

TIN

KUALA LUMPUR TIN MARKET—Close: 14.20 (14.20) ringgit per kg. Unchanged.

ZINC

	Unofficial close (p.m.) £ per tonne	+ or —	High/low
High grade Cash	[illegible]	[illegible]	[illegible]
3 months	[illegible]	[illegible]	[illegible]

Official closing (am): Cash 542-2.5 (545-5.5), three months 544-4.5 (550-50.5), settlement 542.5 (545.5). Final Kerb close: 545.0. Turnover: 14,950 tonnes. US Prime Western: 38.5-41.75 cents per pound.

SILVER

Silver was fixed 5.5p an ounce lower for spot delivery in the London bullion market yesterday at 344.3p. US cent equivalents of the fixing levels were: spot 526.6c, down 2.05c; and 12-month 561.05c, down 4.45c. The metal opened at 345½-347p (528-530c) and closed at 333-334½p (507-509c).

SILVER per troy oz	Bullion Fixing Price	+ or —	L.M.E. p.m. Unoffic'l	+ or —
Spot	344.30p	−5.5	[illegible]	[illegible]
3 months	352.25p	−5.85	[illegible]	[illegible]
6 months	[illegible]	[illegible]	[illegible]	[illegible]
12 months	[illegible]	[illegible]	[illegible]	[illegible]

LME—Turnover 7 (26) lots of 10,000 ounces. Three months high/low 341p, final kerb 340-2p.

MEAT

Pigmeat prices closed lower due to warmer weather but volume remained light, reports Eastern Capital CCST.

Month	PIGMEAT Y'day's close	+ or —	BEEF Y'day's close	+ or —
July	[illegible]	[illegible]	[illegible]	[illegible]
Aug.	[illegible]	[illegible]	[illegible]	[illegible]
Sept.	[illegible]	[illegible]	[illegible]	[illegible]

Pigmeat sales: 7 (6) lots of 50 carcases, 3,250 kg. Beef sales: Nil (nil) lots of 20 sides.

MEAT COMMISSION—Average fatstock prices at representative markets. GB—Cattle 102.73p per kg lw (−1.96). GB—Sheep 206.29p per kg est dcw (−27.71). GB—Pigs 78.80p per kg lw (−2.48).

INDICES

REUTERS

June 13	June 12	M'th ago	Year ago
1540.4	1548.6	1774.5	1769.9

(Base: September 18 1931=100)

DOW JONES

Dow Jones	June 13	June 12	Month ago	Year ago
Spot	124.98	125.19	—	119.90
Fut.	114.15	114.03	—	121.12

(Base: December 31 1931=100)

MAIN PRICE CHANGES

In tonnes unless otherwise stated.

	June 16 1986	+ or —	Month ago
METALS			
Aluminium			
Free Market	$1295/315	+10	$1275/295
Copper			
Cash h Grade	£953.5	+2	£935.5
3 mths	£942.75	−2.75	£946.25
Gold Troy oz	$339.75	−8	$341
Lead Cash	£293	+9	£245.5
3 mths	£291.5	+3.6	£249.25
Nickel			
Free Mkt	197/207c	−1	186/206c
Palladium oz	$111.00	−1	$108.85
Platinum oz	$432.25	−16.7	$409.50
Quicksilver †	$210/220	.....	$220/230
Silver troy oz	344.30p	−5.50	332.10p
3 months	352.25p	−5.85	340.45p
Tin			
free mkt	£3620/650	−12.5	£3470/51
Tungsten	$59.13	.....	$62.07
Wolfram 22.0lb	$43/50	.....	$45/55
Zinc	$546	−0.5	$452
3 months	£547.5	−0.75	£467.5
producers	$840	.....	$700/730
OILS			
Coconut (Phil)	$265y	−2.5	$237.5
Palm Malayan	$247.5z	.....	$245
Copra Phil	$160u	.....	$145
Soyabean (U.S.)	$150y	+1	$152
GRAINS			
Barley Fut.Sept.	£96.90	−0.55	£98.35
Maize	£134.50	.....	£140.00
Wheat Fut Sept.	£98.30	−0.70	£114.40
No. 2 Hard Wint.	‡	.....	‡
OTHERS			
Cocoa Ft. Sept	£1317.5	−5	£1291.5
Coffee Ft. Sept	£1809.5	−32	£2009
Cotton A Ind.*	41.45c	−0.55	48.40c
Gas Oil Aug.	$120.5	−1.5	$138.5
Rubber (kilo)	57p	.....	57p
Sugar (raw)	$152u	−5	$187
Wooltops 64s	415p kilo	−7	425p kilo

‡ Unquoted. † Per 75 lb flask. c Cents per pound. x July. u June-July. y July-August. * Cotton Outlook.

COCOA

Futures opened marginally lower and remained in a tight range throughout a dull day. Producers and consumers were both reluctant to re-enter the market and only very light second-hand business was noted, reports Gill and Duffus.

COCOA	Yesterday's Close £ per tonne	+ or —	Business Done
July	1298-1299	−3.0	1301-1295
Sept.	1317-1318	−5.0	1324-1314
Dec.	1353-1354	−6.0	1360-1355
March	1383-1384	−5.0	1390-1385
May	1404-1405	−4.0	1410-1405
July	1425-1426	−0.5	1426-1425
Sept.	1435-1439	−1.6	1440-1436

Sales: 1,967 (3,622) lots of 10 tonnes.

ICCO indicator prices (US cents per pound). Daily price for June 16: 88.02 (86.87): five-day average for June 17: 87.59 (87.54).

COFFEE

The market was dull with little incentive for trading. Origins were withdrawn and industry offtake appeared minimal. Reports of heavy stocks in the US warehouses confirmed the light trade buying towards the close lifted values, reports Drexel Burnham Lambert.

COFFEE	Yesterday's Close	+ or —	Business Done
July	1770-1777	−48.5	[illegible]
Sept.	[illegible]	[illegible]	[illegible]
Nov.	[illegible]	[illegible]	[illegible]
Jan.	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]
July	[illegible]	[illegible]	[illegible]

Sales: 3,392 (6,938) lots of 5 tonnes.

ICCO indicator prices (US cents per pound) for June 13: Comp. daily 1979 152.18 (151.85); 15-day average 158.27 (159.54).

SOYABEAN MEAL

	Yesterday's close	+ or —	Business Done
June	[illegible]	[illegible]	[illegible]
August	[illegible]	[illegible]	[illegible]
October	[illegible]	[illegible]	[illegible]
Dec.	[illegible]	[illegible]	[illegible]
Feb.	[illegible]	[illegible]	[illegible]
Apr.	[illegible]	[illegible]	[illegible]
June	[illegible]	[illegible]	[illegible]

Sales: 153 (10) lots of 20 tonnes.

GRAINS

July wheat reached a new contract low at £110.20 with one commission house selling against shipper short-covering. New crops eased on fine weather improving crops with merchant hedge selling a feature and one consumer/shipper buyer a notable seller of the September wheat position, reports T. G. Roddick.

Mnth	WHEAT Yesterday's close	+ or —	BARLEY Yesterday's close	+ or —
July	110.20	[illegible]	—	—
Sept	[illegible]	[illegible]	[illegible]	[illegible]
Nov	[illegible]	[illegible]	[illegible]	[illegible]
Jan	[illegible]	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]

Business done—Wheat: July 110.75-10.20, Sept 96.80-6.30, Nov 101.40-1.05, Jan 104.55-4.30, March 106.85, May 109.25. Sales: 262 lots of 100 tonnes. Barley: Sept 97.15-6.80, Nov 100.75-0.45, Jan 103.65, March 106.00, May nil. Sales: 41 lots of 100 tonnes.

LONDON GRAINS—Wheat: US Dark Northern Spring No. 1, 15 per cent: June 97.00, Aug 96.50, Sept 95.50 transhipment East Coast. US No. 2 Soft Red Winter: July 87.75, Aug 87.50, Sept 88.75. EEC first-half June 130.00. English feed, fob, customs cleared: 116.50-118.00, June 119.50-118.00, Dec 105.00, Jan/March 110.25 sellers. April/June 115.00 buyer/seller. Maize: US No. 3 Yellow/French transhipment East Coast: June 134.50. Barley: English feed, fob: July/Aug 99.25, Aug 99.00, Sept 99.50, Oct/Dec 105.00-105.00 buyer/seller, Jan/March 110.50 seller.

HGCA—Locational ex-farm spot prices. Feed Barley: E. Midlands 113.00. The UK monetary coefficient for the week beginning Monday June 23 (based on HGCA calculations using four days' exchange rates) is expected to be unchanged.

RUBBER

PHYSICALS — The London market opened slightly higher, attracted little interest at the higher levels and closed uncertain, reports Lewis and Peat. Closing prices (buyers): Spot 57.00p (same); July 55.25p (55.00p); August 55.50p (55.25p). The Kuala Lumpur fob price (Malaysian cents per kg): RSS No. 1 was 204.0 (same) and SMR 20 184.5 (same).

FUTURES—Index 549, July 547-552, July-Sept 547-551, Oct-Dec 547-552, Jan-March 567-552, April-June 571-575, July-Sept 572-578. Sales: 12.

US MARKETS

PRECIOUS METALS plunged as a news blackout in South Africa on the 10th anniversary of the Soweto uprising prompted a sell-off in platinum and pulled down gold and silver prices, reports Heinold Commodities. The market found some support from overseas trade buying which firmed the prices after they reached session lows in early trading. Cocoa closed on session lows, the declines being attributed to light Brazilian price fix selling and continued activity on the July-September switch. Traders expect the market to remain in limbo before the July 7 Geneva International Cocoa Organisation conference when producers and consumers will attempt to negotiate a new econmic accord. Origins and manufacturers are likely to remain sidelined until the uncertainty about hte future of the cocoa pact is removed.

NEW YORK

ALUMINIUM 40,000 lb, cents/lb

	Close	High	Low	Prev
June	54.20	[illegible]	[illegible]	[illegible]
July	54.20	[illegible]	[illegible]	[illegible]
Aug	54.20	[illegible]	[illegible]	[illegible]
Sept	54.20	[illegible]	[illegible]	[illegible]
Dec	54.70	[illegible]	[illegible]	[illegible]
Jan	54.80	[illegible]	[illegible]	[illegible]
March	54.90	[illegible]	[illegible]	[illegible]
May	55.00	[illegible]	[illegible]	[illegible]
July	55.10	[illegible]	[illegible]	[illegible]
Sept	55.20	[illegible]	[illegible]	[illegible]

COCOA 10 tonnes, $/tonnes

	Close	High	Low	Prev
July	1705	[illegible]	[illegible]	[illegible]
Sept	1760	[illegible]	[illegible]	[illegible]
Dec	1830	[illegible]	[illegible]	[illegible]
March	1875	[illegible]	[illegible]	[illegible]
May	1958	[illegible]	[illegible]	[illegible]
July	1985	[illegible]	[illegible]	[illegible]
Sept	2010	[illegible]	[illegible]	[illegible]

COFFEE "C" 37,500 lbs, cents/lb

	Close	High	Low	Prev
July	177.34	[illegible]	[illegible]	[illegible]
Sept	179.94	[illegible]	[illegible]	[illegible]
Dec	185.31	[illegible]	[illegible]	[illegible]
March	188.52	[illegible]	[illegible]	[illegible]
May	191.00	[illegible]	[illegible]	[illegible]
July	193.50	[illegible]	[illegible]	[illegible]
Sept	198.50	[illegible]	[illegible]	[illegible]

COPPER 25,000 lbs, cents/lb

	Close	High	Low	Prev
June	63.75	[illegible]	[illegible]	[illegible]
July	63.90	[illegible]	[illegible]	[illegible]
Aug	64.05	[illegible]	[illegible]	[illegible]
Sept	64.15	[illegible]	[illegible]	[illegible]
Dec	64.50	[illegible]	[illegible]	[illegible]
Jan	64.60	[illegible]	[illegible]	[illegible]
March	64.85	[illegible]	[illegible]	[illegible]
May	65.06	[illegible]	[illegible]	[illegible]
July	62.25	[illegible]	[illegible]	[illegible]
Sept	65.50	[illegible]	[illegible]	[illegible]

COTTON 50,000 lb, cents/lb

	Close	High	Low	Prev
July	67.72	[illegible]	[illegible]	[illegible]
Oct	33.20	[illegible]	[illegible]	[illegible]
Dec	33.53	[illegible]	[illegible]	[illegible]
March	34.24	[illegible]	[illegible]	[illegible]
May	34.82	[illegible]	[illegible]	[illegible]
July	35.60	[illegible]	[illegible]	[illegible]
Oct	36.60	[illegible]	[illegible]	[illegible]

CRUDE OIL (LIGHT) 42,000 US gallons, $/barrels

	Latest	High	Low	Prev
July	13.64	[illegible]	[illegible]	[illegible]
Aug	13.20	[illegible]	[illegible]	[illegible]
Sept	13.16	[illegible]	[illegible]	[illegible]
Oct	13.25	[illegible]	[illegible]	[illegible]
Nov	13.30	[illegible]	[illegible]	[illegible]
Dec	13.35	[illegible]	[illegible]	[illegible]
Jan	13.40	[illegible]	[illegible]	[illegible]
Feb	13.50	[illegible]	[illegible]	[illegible]

GOLD 100 troy oz, $/troy oz — [illegible]

HEATING OIL 42,000 US gallons, cents/US gallons — [illegible]

ORANGE JUICE 15,000 lb, cents/lb — [illegible]

PLATINUM 50 troy oz, $/troy oz — [illegible]

SILVER 5,000 troy oz, cents/troy oz — [illegible]

SUGAR WORLD "11" 112,000 lb, cents/lb — [illegible]

CHICAGO

LIVE CATTLE 40,000 lb, cents/lb — [illegible]

LIVE HOGS 30,000 lb, cents/lb — [illegible]

MAIZE 5,000 bu min, cents/56lb-bushel — [illegible]

PORK BELLIES 38,000 lb, cents/lb — [illegible]

SOYABEANS 5,000 bu min, cents/60lb-bushel — [illegible]

SOYABEAN MEAL 100 tons, $/ton — [illegible]

SOYABEAN OIL 60,000 lb, cents/lb — [illegible]

WHEAT 5,000 bu min, cents/60lb-bushel — [illegible]

SPOT PRICES—Chicago loose lard [illegible] cents per pound. Handy and Harman silver bullion [illegible] cents per troy ounce.

SUGAR

LONDON DAILY PRICE—Raw sugar $152.00 (£100.00), down $5.00 (down £3.50) a tonne for June/July delivery. White sugar $182.50, down $2.50.

Renewed pressure from long liquidation of the New York July position pushed prices lower again, reports C. Czarnikow.

No. 6 Contract	Yesterday's close	Previous close	Business done
Aug	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]
Aug	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]

Sales: 2,598 (2,268) lots of 50 tonnes.

Tate and Lyle delivery prices for granulated basis sugar was £203.50 (£208.00) a tonne for export.

International Sugar Agreement—(US cents per pound fob and stowed Caribbean ports). Prices for June 13: Daily price 6.29 (6.47); 15-day average 6.85 (6.89).

PARIS—(FFr per tonne): Aug 1280-1291, Oct 1315-1320, Dec 1335-1343, March 1380-1389, May 1420-1429, Aug 1460-1470.

POTATOES

The prospect of rain following the warm weekend weather resulted in futures opening £1.10 down and dropping another £5 before buying interest stabilised levels in quiet trading at around £112.00. The afternoon saw nervous short-covering as traders began to doubt there would be much change in the weather, and this buying in thin volume rapidly lifted values to above £115.00 before any good two-way business was transacted, reports Coley and Harper.

Month	Yesterday's close	Previous close	Business done
Nov	85.30	83.90	[illegible]
Feb	94.00	92.50	[illegible]
Apr	126.00	123.80	[illegible]
May	138.00	136.00	[illegible]

Sales: 962 (664) lots of 40 tonnes. Earlies—July 85.00, −2.50, 85.00-82.00. Aug 87.50, +6.00; Sept 80.00, −2.50. Sales: 20 lots of 10 tonnes.

FREIGHT FUTURES

Dry Cargo — [illegible]

Tankers — [illegible]

Turnover: 43 (38).

OIL

Gas oil slightly firmer in very thin technical trade. Gasoline moved up on tight supplies. Heavy fuel was stable in thin trade. Trading in the 15-day Brent market showed little enthusiasm in a directionless market. July Brent opened 10-15c at ops but fell back to Friday's closing levels in thin trade, reports Argus, London.

CRUDE OIL—FOB ($ per barrel)—July — [illegible]

PRODUCTS—North West Europe Prompt delivery cif ($ per tonne) — [illegible]

Petroleum Argus estimates.

GAS OIL FUTURES

Month	Yesterday's close	+ or —	Business Done
July	[illegible]	[illegible]	[illegible]
Aug	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]
Nov	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]

Turnover: 1,283 (2,846) lots of 100 tonnes.

TEA

22,375 packages were on offer in the London Tea Auction, including 9,600 packages in the offshore section, reports the Tea Brokers' Association. A good demand prevailed. Light liquoring and medium East Africans continued to meet useful competition and prices were often 4-8p dearer. Clean, coloury Central Africans were also well supported and gained 4-8p. Brighter offshore teas sold well at firm to dearer rates, while others were irregular, tending

CURRENCIES, MONEY and CAPITAL MARKETS

FOREIGN EXCHANGES

German election boosts D-mark

The dollar finished slightly weaker overall, against major currencies other than the Japanese yen, but trading on the foreign exchanges was quiet and featureless. The US currency fell below DM 2.20 in early European trading, as a result of the narrow victory for the Christian Democrats in the West German state election in Lower Saxony, on Sunday. The success of the senior partner in West Germany's ruling coalition increased confidence that the present Government will retain control in the Federal elections next January.

This provided support for the D-mark, and depressed the dollar, but in the absence of other factors the US currency recovered slowly, but closed above DM 2.20. After touching a low of DM 2.1890 the dollar finished at DM 2.2005, compared with DM 2.2080 on Friday. It aslo declined to FFr 7.0175 from FFr 7.04; and to SFr 1.8170 from SFr 1.8210, but rose to Y165.50 from Y165.30. On Bank of England figures the dollar's exchange rate index fell to 114.6 from 114.8.

The US Supreme Court's deliberations over the Gramm-Rudman bill aimed at balancing the Budget deficit, provided a nervous undertone to the dollar.

News filtered through from South Africa of further killings on the 10th anniversary of the Soweto riots and of strong support by black workers to calls for a strike. But the violence did not appear as widespread as feared, and the financial rand gained ground. The US dollar fell to R4.35 from R4.6535.

STERLING — Trading range against the dollar in 1986 is 1.5555 to 1.3700. May average 1.5202. Exchange rate index fell 0.2 to 75.7, after opening unchanged at 75.9. Six months ago the index was 78.8.

Sterling was quiet, and on the sidelines. It fell 20 points to $1.5220-1.5230, and declined to DM 3.35 from DM 3.3650; to FFr 10.6850 from FFr 10.7325; and to SFr 2.7650 from SFr 2.7750, but was unchanged at Y252.

D-MARK — Trading range against the dollar in 1986 is 2.4710 to 2.1640. May average 2.2295. Exchange rate index 135.4 against 129.9 six months ago.

The D-mark improved against the dollar, following the result of the regional state election in Lower Saxony. The victory of the Christian Democrats, the senior partner in West Germany's ruling coalition, supported the D-mark. A surge on the German public authority bond market, after the result of the election, and good demand in the equity market also boosted the German currency against the dollar. Trading was fairly thin however, ahead of a national holiday in West Germany today. There was no sign of intervention by the German Bundesbank on the open market, and the central bank did not intervene when the dollar was fixed at DM 2.1949 in Frankfurt, compared with DM 2.2206 previously. The US currency closed in Frankfurt at DM 2.20, against DM 2.2070 on Friday.

JAPANESE YEN — Trading range against the dollar in 1986 is 202.70 to 161.05. Exchange rate index 206.7 against 177.5 six months ago.

The yen showed little change against the dollar, in quiet Tokyo trading. The US currency eased to Y165.45 from Y165.85 on Friday. Fear of intervention by the the Bank of Japan may have prevented the dollar falling below Y165, but there was no sign of dollar buying by the central bank yesterday. Dealers were divided about the immediate prospects for the dollar, with some expecting it to fall to Y163, while others forecast a rise to around Y167.

£ IN NEW YORK

June 16	Close	Prev. close
£ Spot	$1.5180-5190	$1.5225-1.5235
1 month	0.37-0.35pm	0.36-0.35pm
3 months	1.03-0.98pm	1.01-0.99pm
12 months	3.10-2.95pm	2.98-2.90pm

Forward premiums and discounts apply to the US dollar

POUND SPOT—FORWARD AGAINST POUND

June 16	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.5200-1.5280	1.5220-1.5230	0.38-0.35c pm	2.88	1.05-1.00 pm	2.69
Canada	2.1080-2.1155	2.1093-2.1122	0.32-0.22c pm	1.53	0.68-0.50 pm	1.10
Nethlnd.	3.78⅝-3.78⅞	3.77-3.78	1⅛-1⅛c pm	3.97	3⅞-3⅞ pm	3.77
Belgium	68.30-68.67	68.40-68.50	19-14 pm	2.89	49-39 pm	2.57
Denmark	12.40½-12.46¼	12.43¾-12.44¾	2⅞-1⅞ore pm	2.11	6½-5¾ pm	1.89
Ireland	1.1023-1.1090	1.1044-1.1054	0.10-0.03 pm	0.71	0.19-0.03 pm	0.40
W. Ger.	3.34½-3.35½	3.34½-3.35½	1⅞-1⅞pf pm	5.82	4¾-4⅞ pm	5.07
Portugal	224.19-227.83	224.19-227.38	95-295c dis	-10.36	285-810 dis	-9.52
Spain	214.22-214.96	214.67-214.96	50-90c dis	-3.17	135-175 dis	-2.34
Italy	2296½-2305	2299-2301	2-8lire dis	-2.87	10-17 dis	-2.35
Norway	11.44½-11.49½	11.45½-11.46½	[illegible]	-4.12	[illegible]	-4.52
France	10.65½-10.70½	10.68-10.69	[illegible]	[illegible]	[illegible]	2.18
Sweden	10.85½-10.89½	[illegible]	[illegible]	[illegible]	[illegible]	-0.30
Japan	251½-252½	251½-252½	1¼-1y pm	5.36	3¼-3 pm	4.96
Austria	23.51-23.61	23.55-23.61	[illegible]	[illegible]	[illegible]	4.46
Switz.	2.75⅝-2.77⅝	2.76-2.77	[illegible]	[illegible]	[illegible]	4.79

Belgian rate is for convertible francs. Financial franc 69.00-69.10. Six-month forward dollar 1.87-1.80c pm. 12-month 3.17-3.07c pm.

DOLLAR SPOT—FORWARD AGAINST DOLLAR

June 16	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.5200-1.5280	1.5220-1.5230	0.38-0.35c pm	2.88	1.05-1.00pm	2.69
Ireland†	1.3752-1.3823	1.3775-1.3785	0.40-0.20c pm	2.61	0.95-0.65pm	2.77
Canada	1.3820-1.3865	1.3855-1.3865	0.14-0.17c dis	-1.35	0.52-0.57dis	-1.58
Nethlnd.	2.4685-2.4840	2.4785-2.4795	0.21-0.18c pm	0.95	0.68-0.63pm	1.06
Belgium	44.75-45.10	44.90-45.00	1 pm-1c dis	—	1pm-3dis	-0.08
Denmark	8.12½-8.17½	8.17-8.17½	0.25-0.75ore dis	-0.74	1.35-1.85dis	-0.79
W. Ger.	2.1890-2.2080	2.2000-2.0010	0.51-0.48pf pm	2.71	1.38-1.33pm	2.47
Portugal	148¾-149½	148¾-149½	100-200c dis	-12.10	275-600dis	-11.78
Spain	140.10-141.00	140.80-140.90	70-90c dis	-6.84	180-200dis	-5.42
Italy	1506-1514	1510½-1511½	6-8½lire dis	-5.77	17-20½dis	-4.97
Norway	7.50¾-7.53	7.52½-7.53	4.20-4.50ore dis	-6.95	13.35-.75dis	-7.21
France	6.98¾-7.03	7.01½-7.02	0.18-0.33c dis	-0.46	0.70-0.95dis	-0.49
Sweden	7.11½-7.14½	7.14-7.14½	1.95-2.15ore dis	-3.46	5.10-5.60dis	-2.98
Japan	165.00-165.60	165.45-165.55	0.34-0.29y pm	2.28	1.00-0.95 pm	2.36
Austria	15.40-15.50	15.47½-15.48¾	3-2gro pm	1.94	8-6 pm	1.81
Switz.	1.8055-1.8225	1.8165-1.8175	0.28-0.23c pm	1.68	0.97-0.87 pm	2.03

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 45.30-45.40.

EXCHANGE CROSS RATES

Jun. 16	£	$	DM	YEN	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
£	1.	1.523	3.350	252.0	10.69	2.766	3.728	2300.	2.109	68.45
$	0.657	1.	2.200	165.5	7.018	1.817	2.479	1511.	1.386	44.95
DM	0.299	0.454	1.	75.22	3.190	0.826	1.127	686.6	0.630	20.43
YEN	3.968	6.042	13.29	1000.	42.40	10.97	14.98	9127.	8.369	271.6
F Fr.	0.936	1.425	3.135	235.8	10.	2.588	3.533	2153.	1.974	64.06
S Fr.	0.362	0.551	1.212	91.14	3.864	1.	1.365	831.8	0.763	24.76
H FL.	0.265	0.403	0.887	66.75	2.830	0.732	1.	609.3	0.559	18.13
Lira	0.435	0.662	1.457	109.6	4.646	1.202	1.641	1000.	0.917	29.76
C $	0.474	0.722	1.588	119.5	5.066	1.311	1.790	1091.	1.	32.46
B Fr.	1.461	2.224	4.894	368.2	15.61	4.039	5.515	3360.	3.081	100

Yen per 1,000: French Fr per 10: Lira per 1,000: Belg Fr per 100.

EURO-CURRENCY INTEREST RATES

June 16	Short term	7 Days notice	1 Month	Three Months	Six Months	One Year
Sterling	10 10¼	10⅛-10¼	9⅞-10⅛	9⅞-9⅞	9½-9⅝	9½-9⅝
U.S. Dollar	7-7⅛	6⅞-7⅛	6⅞-7	6⅞-7	6⅞-7⅛	7⅛-7⅜
Can Dollar	7½-8	7⅝-8⅛	8⅛-8⅜	8¼-8⅛	8⅜-8⅞	8⅝-8⅞
D Guilder	5⅞-6⅛	6-6⅛	5⅞-6⅛	5⅞-6	5⅝-5¾	5⅝-5⅝
Sw. Franc	2¼-2½	2⅛-2⅝	5⅛-5⅝	4⅞-5⅛	4⅞-5⅛	4⅞-4⅞
Deutschmrk	4⅝-4½	4⅞-4⅞	4⅞-4⅞	4⅞-4⅞	4½-4⅝	4⅝-4¾
Fr. Franc	7⅛-7¼	7⅞-7⅞	7⅞-7⅞	7⅞-7⅞	7¼-7⅝	7½-7⅝
Italian Lire	11-13	11¼-12¾	12¼-13	11¾-12¼	11⅝-11⅞	11½-12
B.Fr.(Fin)	6¾-7	7-7¼	7¼-7½	7¼-7½	7¼-7½	7⅝-7⅝
B.Fr.(Con)	6⅞-7⅛	7-7¼	7-7½	7-7½	7-7½	7⅛-7⅝
Yen	4½-4⅝	4¾-4⅞	4¾-4⅞	4⅞-4¾	4⅝-4⅞	4⅝-4⅞
D. Krone	9-9½	8½-9	8¼-8¾	8¼-8¾	8¼-8¾	8¼-8¾
Asian $ (Sng)	6⅞-7⅛	6⅞-7⅛	6⅞-7⅛	6⅞-7⅛	6⅞-7⅛	7⅛-7¼

Long-term Eurodollars: two years 7⅝-7⅞ per cent; three years 8⅛-8⅜ per cent; four years 8⅜-8½ per cent; five years 8½-8⅝ per cent nominal. Short-term rates are call for US Dollars and Japanese Yen: others, two days' notice.

CURRENCY MOVEMENTS

June 16	Bank of England index	Morgan Guaranty Change %
Sterling	75.7	-16.6
U.S. dollar	114.5	+5.5
Canadian dollar	78.4	-12.5
Austrian schilling	136.8	+7.3
Belgian franc	95.5	-7.2
Danish Kroner	88.2	-0.7
Deutsche mark	135.4	+14.9
Swiss franc	159.5	+17.2
Guilder	125.2	+9.4
French franc	69.3	-13.3
Lira	46.3	-17.8
Yen	206.7	+58.2

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (base average 1975=100).

CURRENCY RATES

June 16	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	—	0.770964	0.640689
US $	6½	1.17626	0.977213
Canadian $	8.98	*	1.35197
Austria Sch	4	18.1532	15.0682
Belgian Fr	8	59.8347	43.8768
Danish Kr	7	9.57476	7.95207
D'mark	3½	2.58177	2.14694
Guilder	4½	2.91418	2.41938
French Fr	9½	8.24499	6.84928
Lira	12	N/A	1476.10
Yen	3½	194.847	161.682
Norway Kr.	8	8.84430	7.34568
Span'h Pta.	—	165.203	137.367
Swedish Kr	8	8.37674	6.96508
Swiss Fr.	4	2.12962	1.77061
G reek Drch	20½	163.159	135.412
Irish Punt	—	0.852362	0.708125

* C$/SDR rate for June 13: 1.61827

OTHER CURRENCIES

June 16	£	$
Arg'tina	1.3260-1.3285	0.8700-0.8710
Aus'alia	2.1880-2.1916	1.4356-1.4365
Brazil	20.97-21.10	13.77-13.84
Finland	7.8045-7.8140	5.1175-5.1195
Greece	209.60-213.95	137.40-140.20
H'kong	11.9050-11.9250	7.8040-7.8070
Iran	119.55*	78.65*
Kuwait	0.4460-0.4470	0.29275-0.29305
Lux'burg	68.40-68.50	44.90-45.00
Malaysia	3.9690-3.9825	2.6025-2.6075
N'Z'land	2.8405-2.8480	1.8640-1.8695
Saudi Ar	5.7195-5.7250	3.7505-3.7515
Sin'pore	3.3810-3.3890	2.2160-2.2180
S Af. (Cm)	3.8270-3.8585	2.5710-2.5840
S.Af.(Fn)	6.4910-6.7800	4.2550-4.4445
U.A.E.	5.6040-5.6160	3.6750-3.6800

* Selling rate.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu June 16	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	43.6761	43.8768	+0.46	+0.60	±1.5368
Danish Krone	7.91896	7.95207	+0.42	+0.56	±1.6408
German D-mark	2.13834	2.14694	+0.40	+0.54	±1.1202
French Franc	6.96280	6.84928	-1.63	-1.49	±1.3701
Dutch Guilder	2.40935	2.41938	+0.42	+0.56	±1.5081
Irish Punt	0.712956	0.708125	-0.68	-0.54	±1.6689
Italian Lira	1496.21	1476.10	-1.41	-1.41	±4.0788

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

FINANCIAL FUTURES

US bonds firm

US Treasury bond prices were firmer in the London International Financial Futures Exchange yesterday. Opening prices were marked up in response to a limit-up movement in Chicago on Friday. Short covering boosted the September value to 97-18 from an opening level of 95-05. However this level met strong selling so that prices were marked down very sharply to a low of 94-23 which in turn attracted renewed buying interest. The September price closed at 96-19 up from 94-29.

Euro-dollar prices were also firmer, opening at 93.13 for September delivery again on a better tone in Chicago on Friday, and rose initially to 93.15 before attracting sellers down to 93.11. Values rose later to a high of 93.22 before closing at 93.21 up from 93.03.

Underlying sentiment remained firm with renewed hopes of an early cut in the discount rate, given further signs of a sluggish economic growth rate. A cut in French interest rates was seen as opening the doors for a possible knock-on effect, increasing the possibility of West German interest rates falling without compromising the D-mark within the EMS and so widening the scope for lower US interest rates.

Short sterling prices opened firmer and rose during the day amid renewed hopes of an early cut in clearing bank base rates. However there were no new factors in the market and trading remained quiet overall.

LIFFE LONG GILT FUTURES OPTIONS

Strike price	Calls—Last Sept	Dec	Mar	June	Puts—Last Sept	Dec	Mar	June
116	7.15	8.02	—	—	0.28	1.28	—	—
118	5.38	6.40	—	—	0.51	1.66	—	—
120	4.11	5.24	—	—	1.25	2.50	—	—
122	2.62	4.10	—	—	2.12	3.36	—	—
124	2.02	3.22	—	—	3.16	4.48	—	—
126	1.26	2.36	—	—	4.34	5.62	—	—
128	0.51	1.39	—	—	6.01	7.21	—	—
130	0.30	1.27	—	—	7.44	8.53	—	—

Estimated volume total, Calls 782, Puts 227
Previous day's open int. Calls 9,306, Puts 3,005

LIFFE US TREASURY BOND FUTURES OPTIONS

[illegible]

Estimated volume total, Calls 69, Puts 65
Previous day's open int. Calls 1,380, Puts 335

LIFFE £/$ OPTIONS
£25,000 (cents per £1)

[illegible]

Estimated volume total, Calls 180, Puts 0
Previous day's open int, Calls 2,609, Puts 2,772

LONDON SE £/$ OPTIONS
£12,500 (cents per £1)

[illegible]

Previous day's open int. Calls 5,302, Puts 1,892
Volume, 20

PHILADELPHIA SE £/$ OPTIONS
£12,500 (cents per £1)

Strike price	Calls—Last July	Aug	Sept	Dec	Puts—Last July	Aug	Sept	Dec
1.30	—	—	21.70	21.90	—	—	0.10	0.45
1.35	16.70	—	16.70	16.90	—	—	0.20	0.85
1.40	11.70	—	11.80	12.40	0.05	—	0.55	1.50
1.45	6.90	7.30	7.75	8.70	0.25	1.00	1.25	2.80
1.50	3.20	3.90	4.50	5.80	1.20	2.50	3.30	5.36
1.55	0.90	1.66	2.40	4.00	3.80	5.36	6.30	8.20
1.60	0.20	0.80	1.25	2.40	8.00	9.00	9.80	11.50

Previous day's open int. Calls 36,065, Puts 49,107
Previous day's volume, Calls 2,136, Puts 536

LIFFE—EURODOLLAR OPTIONS
$1m points of 100%

[illegible]

Previous day's open int. Calls 4,084, Puts 3,417
Volume, —

LONDON

20-YEAR 12% NOTIONAL GILT
£50,000 32nds of 100%

	Close	High	Low	Prev
June	122-19	122-23	122-20	122-12
Sept	122-25	123-04	122-19	122-18
Dec	122-19	122-21	122-21	122-12
March	122-15	—	—	122-08

Est. Volume 6,028 (9,159)
Previous day's open int. 20,268 (8,833)
Basis quote (clean cash price of 13% Treasury 2004/08 less equivalent price of near futures contract) -4 to 4 (32nds).

THREE-MONTH STERLING
£500,000 points of 100%

	Close	High	Low	Prev
June	90.21	90.23	90.19	90.22
Sept	90.88	90.91	90.84	90.72
Dec	91.04	91.07	91.01	90.95
March	90.99	91.00	90.96	90.88
June	90.86	90.80	90.80	90.75

Est. Volume 2,927 (2,108)
Previous day's open int. 17,612 (17,650)

FT-SE 100 INDEX
£25 per full index point

	Close	High	Low	Prev
June	161.00	161.20	160.00	159.80
Sept	163.90	164.60	162.85	162.40
Dec	166.35	—	—	164.85

Est. Volume 275 (265)
Previous day's open int. 2,624 (2,581)

THREE-MONTH EURODOLLAR
$1m points of 100%

	Close	High	Low	Prev
June	93.00	92.99	92.95	92.98
Sept	93.21	93.22	93.11	93.03
Dec	93.09	93.10	92.98	92.91
March	92.88	92.84	92.75	92.70
June	92.56	92.46	92.46	92.40
Sept	92.28	—	—	92.11
Dec	91.99	—	—	91.85

Est. Volume 8,171 (8,319)
Previous day's open int. 21,199 (21,734)

10% NOTIONAL SHORT GILT £100,000
64ths of 100%

[illegible]

US TREASURY BONDS 8%
$100,000 32nds of 100%

[illegible]

Est. Volume 7,962 (8,286)
Previous day's open int. 5,367 (5,102)

CERT DEPOSIT (IMM)
$1m points of 100%

[illegible]

THREE-MONTH EURODOLLAR (IMM)
$1m points of 100%

[illegible]

CHICAGO

US TREASURY BONDS (CBT)
8% $100,000 32nds of 100%

[illegible]

US TREASURY BILLS (IMM)
$1m points of 100%

[illegible]

CURRENCY FUTURES

POUND—$ (FOREIGN EXCHANGE)

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.5225	1.5189	1.5123	1.5042	1.4875

IMM—STERLING Se per £

[illegible]

LIFFE—STERLING £25,000 $ per £

[illegible]

STERLING INDEX

	June 16	Previous
8.30 am	75.9	75.8
9.00 am	75.9	75.8
10.00 am	75.9	75.8
11.00 am	75.9	75.8
Noon	75.8	75.9
1.00 pm	75.8	75.9
2.00 pm	75.8	75.9
3.00 pm	75.9	76.0
4.00 pm	75.7	75.9

MONEY MARKETS

London rates little changed

Interest rates were barely changed in the London money market yesterday in rather featureless trading. Hopes of an early cut in clearing bank base rates remained high although the timing of such a move provided much of the day's speculation. Discount houses were reluctant to sell bills at the start but the day's shortage was taken out eventually although there were very few longer dated eligible bills surrendered. Three-month interbank money was unchanged at 9 11/16-9 13/16 per cent while overnight funds climbed to 11 per cent before finishing nearer 6 per cent.

The Bank of England forecast a shortage of around £1,000m with factors affecting the market including maturing assistance and a take up of Treasury bills together draining £611m and Exchequer transactions a further £640m. In addition banks brought forward balances £85m below target. These were partly offset by a fall in the note circulation of £360m. To help alleviate the shortage, the Bank offered an early round of assistance which totalled £9m and comprised outright purchases of eligible bank bills in band 2 at 9 13/16 per cent.

The forecast was later revised to a shortage of around £1,100m before taking into account the early help and the Bank provided further assistance in the morning of £323m through outright purchases of eligible bank bills at unchanged rates, £63m in band 1, £214m in band 2, £38m in band 3 and £8m in band 4. Further help was given in the afternoon of £774m through outright purchases of £1m of local authority bills in band 1, £350m of eligible bank bills in band 2 and £423m of eligible bank bills in band 3. Total help came to £1,106m.

In Paris the Bank of France reduced its money market intervention rate to 7 per cent from 7¼ per cent when adding funds to the money market through purchases of first category paper. Recent comments by US officials had called for a cut in French rates so that West Germany could reduce its rates without making the D-mark's position within the EMS uncomfortable.

UK clearing bank base lending rate 10 per cent since May 22

NEW YORK RATES
(Lunchtime)

Prime rate	8½
Broker loan rate	8
Fed funds	6 13/16
Fed funds at intervention	6 13/16
One month	5.98
Two month	6.07
Three month	6.28
Six month	6.48
Treasury Bills & Bonds	
One year	6.59
Two year	7.09
Three year	7.22
Four year	7.41
Five year	7.56
Seven year	7.54
10 year	7.63
30 year	7.45

FT LONDON INTERBANK FIXING
(11.00 a.m. June 16)

Three months US dollars		Six months US dollars	
bid 6⅞	Offer 7	bid 6 15/16	Offer 7 1/16

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 am each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

LONDON MONEY RATES

June 16	Over night	7 days notice	Month	Three Months	Six Months	One Year
Interbank	6-11	10⅛-10⅜	9 13/16-10⅛	9 11/16-9 13/16	9½-9⅝	9½-9⅝
Sterling CDs	—	—	10-10 1/16	9⅝-9¾	9 7/16-9½	9⅜-9½
Local Authority Depos	10¼-10½	10-10⅜	9⅞-10 1/16	9⅝-9 13/16	9½-9⅝	9⅜-9⅝
Local Authory Bonds	—	—	10⅜	10 1/16	9⅞	9⅞
Discount Mkt Depos	5-10¾	10⅛-10¼	9¾	9¼	—	—
Company Depos	10⅝-10¾	10¼-10⅝	9 13/16-10 1/16	9 11/16-9 13/16	9 9/16-9 11/16	—
Finance House Depos	—	—	10	9 13/16	9⅝	9⅝
Treasury Bills (Buy)	—	—	9 11/16	9½	—	—
Bank Bills (Buy)	—	—	9 13/16	9 13/16	9⅛	—
Fine Trade Bills (Buy)	—	—	10 1/16	10 1/16	9¾	—
Dollar CDs	—	—	6.85-6.90	6.9-6.95	6.95 7.0	7.10-7.15
SDR Linked Depos	—	—	6⅜-6⅝	6⅜-6⅝	6⅝-6⅝	6½-6¾
ECU Depos	—	—	7⅛-7½	7⅛-7 5/16	7¼-7⅜	7¼-7⅜

Treasury Bills (sell): one-month 9 21/32 per cent; three months 9⅜ per cent. Bank Bills (sell): one-month 9 23/32 per cent; three months 9 9/16 per cent. Treasury Bills: Average tender rate at discount 9.3522 per cent. ECGD Fixed Finance Scheme IV reference date May 7 to June 3 (inclusive) 10.176 per cent.

Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rates 10½ per cent from June 1, 1986. Bank Deposit Rates for sums at seven days' notice 4.35-4.375 per cent. Certificates of Tax Deposit (Series 6): Deposit £100,000 and over held under one month 10 per cent; one-three months 9½ per cent; three-six months 9½ per cent; six-nine months 9½ per cent; nine-12 months 9½ per cent. Under £100,000 9½ per cent from June 5. Deposits held under Series 5 9½ per cent. Deposits withdrawn for cash 6½ per cent.

MONEY RATES

June 16	Ov'r-nig't	One Month	Two Months	Three Months	Six Months	Lombard In'v'tin
Frankfurt	4.20-4.35	4.40-4.55	4.45-4.60	4.45-4.60	4.50-4.65	5.5
Paris	7⅛	7 3/16-7 5/16	7 1/16-7 3/16	7 1/16-7 3/16	7 1/16-7 3/16	7
Zurich	¾-1¼	4⅞ 5⅛	—	4¾-5	—	—
Amsterdam	6-6 1/16	5⅞-6	—	5 13/16-6 1/16	—	—
Tokyo	4.40625	4.59375	—	4.65625	—	—
Milan	12-12½	12-12½	—	[illegible]	—	—
Brussels	4.55	[illegible]	—	[illegible]	—	—
Dublin	[illegible]	[illegible]	[illegible]	[illegible]	—	—

£ WORLD VALUE OF THE POUND

The table below gives the latest available rate of exchange for the pound against various currencies on June 16, 1986. [illegible]

COUNTRY	CURRENCY	VALUE OF £ STERLING	COUNTRY	CURRENCY	VALUE OF £ STERLING	COUNTRY	CURRENCY	VALUE OF £ STERLING
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

Five to Fifteen Years

Over Fifteen Years

Undated

Index-Linked

INT. BANK AND O'SEAS GOVT STERLING ISSUES

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

AMERICANS

AMERICANS—Cont.

CANADIANS

BANKS, HP & LEASING

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS—Cont.

CHEMICALS, PLASTICS

DRAPERY AND STORES

DRAPERY & STORES—Cont.

ELECTRICALS

ENGINEERING

ENGINEERING—Continued

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS—Continued

INDUSTRIALS—Continued

1986 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
160	82	Midland Marts	152	–3	4.0	2.1	3.7	18.2
70½	61	Mitchell Cotts	65	.....	4.25	1.5	9.5	(8.9)
309	81	Modo & Crane 10p	160	.....	12.7	2.9	3.6	13.0
317	210	Morgan Crucible	315	.....	8.5	♦	3.8	♦
29½	15½	Morris (W) F.A. 20p	18	+1½	—	—	—	—
139	96	Moss (Robt.) 10p	136	–1	3.5	2.7	3.7	13.6
120	68	Myson Grp 10p	120	.....	2.63	2.6	3.1	15.5
365	259	NMW Computers	335	.....	6.0	3.0	1.8	18.1
40	27	Nash Inds.	37	+1	0.5	—	1.9	—
*27½	15½	Neil & Spencer 10p	25	.....	—	—	—	—
38	28	Newman Inds 10p	37	.....	0.8	1.2	3.1	(35.6)
65	47	Norton	51	.....	10.95	7.0	2.6	7.3
132	96	Norank Systems 5p	130	+4	3.0	♦	3.2	♦
272	187	Norcros	269	.....	9.9	♦	5.0	♦
114	49	Nu-Swift 5p	108	+1	3.5	2.1	4.6	14.5
£303	£220	OCE 9pc Cnv 1987-92	£303	.....	Q9%	—	(3.5)	—
118	80	Oakwood Grp.	110	.....	5.0	1.3	6.4	15.3
250	205	Office & Elect.	242	+2	8.5	2.9	4.9	9.9
102	70	Oldacre 20p	87	–1	4.0	2.6	6.5	7.7
36	26	Optometrics $0.01	24	.....	2.2	2.1	6.5	8.0
765	500	Oriflame £1	760	.....	24.5	2.7	4.5	14.8
10	7	Ovenstone 12½c	7	.....	0.25	1.9	12.1	4.4

For Ozalid 9pc Cnv see OCE 9pc Cnv

1986 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
142	85	PCT Grp 20p	142	.....	3.2	1.2	4.6	(24.8)
£20½	950	PLM 'B' Sk25	£17¼	.....	Q23.2%	0.9	4.8	—
184	114	PSM Intl.	179	.....	5.5	2.1	4.4	13.6
255	167	Pacer Systems $0.01	200	–5	1.0	3.4	1.3	22.3
78	56	Pacific Sales 10p	64	.....	3.0	2.1	6.6	8.4

LEISURE—Continued

1986 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's
115	58	Leisuretime Int 10p	108	.....	2.3	♦	3.2
117	100	LeeWay	105	–2	2.63	3.0	3.5
220	145	Media Tech Int 20p	145	.....	2.58	3.4	2.4
175	140	Mecalnester 10p	140	.....	5.35	2.7	5.4
220	130	Miles World 10p	210	–30	5.2	3.3	3.5
90	62	Nationwide Leisure	86	.....	3.75	♦	6.1
17	10½	Norwin Int 20c	16½	.....	—	—	—
30½	23	Owners Abroad 3p	31½	.....	1.5	♦	6.7
90	46	Photax (Lon.)	70	.....	—	—	—
34	28½	Pickwick Radio NV 5p	29	.....	2.0	1.2	10.0
80	37	Pineapple Dnce St 10p	72	+2	—	—	—
371	280	Pleasurama 5p	290	+5	7.5	3.2	3.5
178	136	Do. 7pcCvCumRedPf	138	.....	7%	—	7.1

For Pres Entertainment see Hotels

1986 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's
48	18	Radio Clyd 'A' NV	30	.....	—	—	—
48	35	Radio Clyde NV	42	+2	3.25	0.9	10.0
375	322	Really Useful Grp 5p	364	.....	11.25	2.2	4.6
64	44	Riley Leisure 10p	44	.....	—	—	—
230	165	Saga Hols. 20p	170	+3	4.4	2.6	3.8
355	255	Samuelson Grp 20p	285	.....	2.4	6.0	1.2
123	73	Sangers Photo 10p	104	+1½	2.2	♦	3.0
178	142	Scoura 50p	150	+2½	4.0	3.5	3.8
345	188	Scott. TV 'A' 10p	345	.....	10.5	3.0	4.3
294	114	SeaCo Inc $0.125	225	.....	—	—	—
26	7	Selec TV 10p	17	.....	—	—	—
37	20	Spectrum 5p	22	+1	2.0	4.8	‡
43	31	TSW 5p	39	.....	1.7	2.4	6.3
235	150	TVS N/Vtg 10p	230	.....	8.0	2.5	4.9

MOTORS, AIRCRAFT TRADES

Motors and Cycles

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PROPERTY—Continued

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TRUSTS, FINANCE, LAND

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INVESTMENT TRUSTS—Cont.

Finance, Land, etc

FINANCE, LAND—Cont.

OIL AND GAS

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

MINES—Continued

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

Tins

Miscellaneous

1986 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's
34	28	Ennex Int. Ir10p	32	–1	—	—	—
102	70	Greenwich Res	102	+5	—	—	—
157	99	Hampton Areas 10p	157	+3	1.0	—	0.9
250	165	Highwood Res.	235	.....	—	—	—
£19¼	£13¾	Homestake Mining $1	£14⅞	–¼	Q20c	—	0.9
310	175	McFinley Red Lake	195	+10	—	—	—
285	195	Musto Explorations	235	.....	—	—	—
51	33	New Sabina Res C$1	35	.....	—	—	—
260	207	Northgate C$1	210	.....	—	—	—
790	513	RTZ	623	+4	22.0	2.8	5.0
£164	£115	Do. 9¼pcLn '95-2000	£137½	.....	Q9¼%	15.5	†7.1
950	800	Tara Expm $1	875	.....	—	—	—

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 29 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock".
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ♦ Figures or report awaited.
- ♥ Not officially UK listed; dealings permitted under Rule 535(4)(a).
- ♠ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Dealt in under Rule 535(3).
- ¶ Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress.
- ♣ Not comparable.
- ♠ Same interim; reduced final and/or reduced earnings indicated.
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ∎ No par value.

B.Fr. Belgian Francs. Fr. French Francs. ## Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1986-87. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1986. K Figures based on prospectus or official estimates for 1984. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1985-86. N Dividend and yield based on prospectus or other official estimates for 1985. P Figures based on prospectus or other official estimates for 1983. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xl ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p	120	.....	Fin. 13% 97/02	£121½	.....
Craig & Rose £1	£13	.....	Arnotts	320	–5
Finlay Pkg. 5p	43	.....	CPI Hldgs	48	.....
Holt (Jos) 25p	820	.....	Carroll Inds.	155	.....
IoM Stm. £1	87	.....	Dublin Gas	53	.....
			Hall (R. & H.)	77	.....
IRISH			Heiton Hldgs.	32	+1
Fund 11¼% 1988	£108¼	.....	Irish Ropes	130	.....
Nat. 9¾% 84/89	£101	.....	Unidare	190	.....

"Recent Issues" and "Rights" Page 39
(International Edition Page 35)

LONDON STOCK EXCHANGE

MARKET REPORTS

Interest rate hope give markets firm start to the Account

Account Dealing Dates

Option

*First Dealings	Declarations	Last Dealings	Account Day
June 2	June 12	June 13	June 23
June 16	June 26	June 27	July 7
June 30	July 10	July 11	July 21

* "New-time" dealings may take place from 9.30 am two business days earlier.

The brighter tone which emerged towards the end of last week in London markets continued throughout the opening session of a new trading Account yesterday. Volume was not large but a stream of early buying orders initiated a broad advance in shares and bonds. Investors were encouraged by Wall Street's strength on Friday and by favourable comment on international interest rates which, as a result of fading world growth, should move lower in the latter half of the year.

The investment institutions were again selective in their approach, while private clients tended to focus on the usual lengthy list of weekend Press recommendations, and on situation stocks. The latter tended to hold their gains but around mid-morning many blue chip and leading issues began to drift away from the highest levels owing to the lack of follow-through support.

News of the 0.75 per cent fall in May retail sales made scant impact on markets but interest quietened further in the early afternoon and a continuation of the good weekend weather turned thoughts to the four-day Ascot race meeting. Attention was soon diverted back to business, however, when Wall Street extended its upsurge in the early trade yesterday. The tone improved and finally the FT-SE 100 share index, after being 13 points up at 10.37 am, closed 11.2 higher on the day at 1,593.6.

Revived expectations of a cut in the US discount rate and a more composed American bond market ensured a firmer trend in the Gilt-edged sector. A slightly easier sterling exchange rate and the prospect of new official funding following Friday's exhaustion of the long tap stock deterred some investors. Demand was still sufficient to lift all conventional Gilts and certain longer-dated stocks regained ⅝ more before easing off in the after-hours' trade. Index-linked Gilts lost appeal after Friday's inflation news and closed with fresh falls stretching to ⅛.

Composites better

A strong rally by Insurance stocks on Wall Street last Friday induced a similar movement by domestic issues yesterday. Closing gains among the Composites ranged to 22. Sun Alliance closed that much higher at 657p, while GRE advanced 19 to 837p and General Accident put on 17 at 787p. Royals rose 18 at 852p and Commercial Union added 4 at 300p. Elsewhere, reports of bumper endowment mortgage business helped Life issues gain ground. Pearl firmed ¼ at £13½ and Prudential appreciated 10 at 767p. Britannic moved up 7 at 840p and Equity and Law closed 5 to the good at 247p.

Comment on the bid situation attracted investors to Standard Chartered which closed 22 higher at 817p; unwelcome bidders Lloyds were 3 dearer at 355p. Other clearers were quietly firm with NatWest 5 to the good at 468p and the new nil-paid a couple of pence better at 262p.

Yesterday's newcomer to the Unlisted Securities Market Hodgson Holdings staged a successful debut, opening and closing at 92p compared with the placing price of 85p.

Guinness revealed interim profits at the top-end of market estimates and hardened a few pence to 303p, after 305p. Other leading Breweries closed a shade firmer for choice with Whitbread "A" 8 dearer at 285p. Dealers also reported revived interest among Regionals. Belhaven rose 2 to 46p on support ahead of the imminent annual results, while Press comment saw J. A. Devenish rise 32½ more to 910p xd. Wolverhampton and Dudley closed 16 higher at 523p.

The Building sector provided numerous firm features. Blue Circle, unsettled last week by fears of Greek competition in the cement business, extended Friday's rally and moved up 11 more to 631p. Occasional support boosted J. Jarvis 40 to 400p and Higgs and Hill 10 to 565p while revived bid rumours prompted good demand for Henderson, 14 higher at 236p and Magnet and Southerns, 2 harder at 166p. A newsletter recommendation fuelled sustained interest in Johnstone's Paints, 20 to the good at 110p. Helical Bar initially jumped to 236p on Press comment, but subsequent profit-taking left the shares a net 2 easier at 225p.

ICI put on a firm showing and settled 13 better at 957p following a buy recommendation from a leading broking firm. Amersham International moved up 12 to 388p, after 392p after the preliminary results and also reflecting relief at the absence of any fund-raising exercise. Takeover speculation saw Wolstenholme Rink improve 15 to 230p, while the sale of its Essex-based plastics business for around £7m directed buyers towards Blagdon Industries, which added 12 at 127p.

Interest among Retailers again centred on Woolworth and Dixons as the bid approaches its climax. The former, sharply lower last week following a bear squeeze in the wake of disappointment with Dixons' revised terms, touched 785p before settling a net 10 to the good at 775p; Dixons closed 8 higher at 340p. Other leading Stores made modest progress, the slight fall in provisional retail sales for May having no apparent effect on sentiment. Underwoods, 165p, and A. J. Gelfer, 118p, improved 7 and 8 respectively amid revived speculative demand, while Lincroft Kilgour put on 8 to 200p following the sale of its near-14 per cent stake in Atkins Bros.

Leading Electricals generally displayed falls of a few pence, but British Telecom hardened 2 to 224p awaiting Thursday's preliminary results. Elsewhere, favourable weekend Press mention left Kode International 13 up at 218p and Burgess Products 11 better at 255p. Thermal Scientific, still reflecting last week's good results, advanced 35 further to 545p. A late speculative flurry left Bowthorpe 17 higher at 572p and MK Electric 15 to the good at 378p, while Rotaflex put on 13 to 380p awaiting further bid developments. Amstrad were quoted ex the four-for-one scrip issue at 118p, up 1½.

Secondary Engineers recorded several noteworthy movements. Birmingham Mint responded to a newsletter recommendation with a gain of 10 at 185p, while buying ahead of Thursday's interim statement left A. Lee 4 better at 75p. Renold, scheduled to reveal preliminary figures on Friday, put on a similar amount to 85p. McKechnie, the subject of an unwelcome bid from Evered, hardened a couple of pence to 258p following the profits and dividend forecast. Renewed demand lifted Cronite 6 further to 81p, but A. Cohen dipped 15 to 490p on the sharp fall in annual earnings.

Hazlewood provided a bright feature in Foods, touching 890p on news of the bumper annual profits and proposed capital reconstruction before closing 10 better on balance at 870p. Nurdin and Peacock firmed 4 to 168p following the chairman's confident address at the annual general meeting, while improvements of 4 and 12 respectively were seen in Christian Salveson, 141p, and Fitch Lovell, 265p. Cadbury Schweppes hardened 2 to 171p as did AB Foods, at 312p. Unigate, after rising to 285p in initial response to the better-than-expected preliminary results, reacted on profit-taking to close 2 easier at 278p.

Reports that a near-£600m US bid for its hotel division had been rejected excited Grand Metropolitan which advanced to 415p before closing 2 dearer on balance at 408p. Elsewhere in Hotels, press-inspired gains of 2 and 5 respectively were seen in Queens Moat, 70p, and London Park, 525p.

Rank Org. ease

Rank Organisation became an unsettled market following news of the proposed purchase of 36 social and bingo clubs and 42 High Street amusement centres from Ladbrokes for £67.5m; the shares fell away to 513p before recovering a little to close 15 down on the day at 517p. Pentland, in contrast, remained in demand and put on 25 further to 890p, while press mention enlivened interest in AAH which advanced 19 to 240p. Henry Boot, still reflecting the sale of two subsidiaries, improved 7 more to 292p, but Flexello fell 6 to 110p on lower half-year earnings. Renewed speculative demand left Ecobric 7½ higher at 29½p xd, while newspaper comment prompted fresh bid speculation in Metal Closures, 8 to the good at 152p. Bodycote, a good market last week on the proposed flotation of its Dutch subsidiary, improved 10 more to 300p, but Erskine House eased a few pence to 162p after the preliminary figures, proposed £10.1m rights issue and acquisition news. Pearson hardened afresh to 528p after weekend comment before reacting on profit-taking to close 6 cheaper on balance at 521p. Leading miscellaneous Industrials managed small gains on the day, but Reckitt and Colman remained an unsettled market at 784p, down 15.

Western Motor were again to the fore among Distributors, rising 12 more to 138p as buyers, encouraged last week by a favourable Press, continued to express confidence awaiting the outcome of the property revaluation. Caffyns were also supported and closed 18 higher at 270p in the wake of last week's pleasing preliminary figures. Occasional interest was evident for Tozer Kemsley and Millbourn, 7 dearer at 191p, and Lex Service, finally 8 up at 373p. Elsewhere in Motors, Jaguar rallied a few pence to 507p, while ERF, scheduled to announce annual figures later in the current Account, improved 3 to 51p.

Company trading statements provided contrasting features among Advertising and related counters. Yellowhammer advanced 16 to 158p in response to the near-doubled and better-than-forecast full-year profits. Moss Advertising, on the other hand, slumped 19 to 83p following extremely disappointing first-half figures. Sellers also held sway in LCA, finally 12 cheaper at 123p, but Saatchi and Saatchi hardened a few pence to 760p xd, after 765p. Elsewhere, revived takeover speculation lifted DRG 6 to 288p, while John Waddington, preliminary figures expected tomorrow, put on 10 more to 805p. Publishers highlighted EMAP which rose 10 to 220p, with the more widely-traded "A" shares 15 up at 181p, as dealers expressed satisfaction with the sharply increased annual results and proposed scrip issue.

Textiles trended firmer where altered. Courtaulds led the way, rising a few pence to 269p, aided by full-year figures from its clothing subsidiary. Dawson, due to announce annual results on Thursday, hardened 2 to 234p, while buyers also returned for Illingworth Morris, 6 up at 124p; the preliminary figures are expected next Monday. News of a sizeable stake changing hands lifted Atkins Brothers (Hosiery) 18 to 218p xd.

Exco International advanced 10 to 222p as Tan Sri Khoo Teck Puat increased his stake in the company to just over 26.5 per cent. Elsewhere in Financials, Authority Investments were marked 62 higher to 190p following the agreed bid from Messrs Backhouse, Campbell and Innes via Charterhouse Bank. In contrast, profit-taking clipped 5 from recent speculative high-flier James Ferguson at 73p.

Leading Oils managed minor gains across the board. Shell rose 10 to 792p and BP touched 576p before easing late to close a fraction harder on balance at 571p. Britoil improved 5 to 170p. Burmah, helped by favourable comment in the weekend Press, advanced 8 to 370p.

Secondary issues weer highlighted by renewed strength in Conroy Petroleum and Natural Resources, which jumped 5 to a 1986 high of 115p, still reflecting the encouraging drilling report from its lead/zinc find on the border of County Laois and County Kilkenny in the Irish Republic. Speculative buying lifted Century Oils a further 4½ to 128p ex-dividend, but Great Western Resources dipped 5 to 55p.

The news blackout in South Africa, imposed last week along with the nationwide State of Emergency in the run up to yesterday's 10th anniversary of the Soweto riots, proved highly effective. The absence of detailed information from the Republic triggered a wave of bear closing in the South African currency and in South African sharemarkets. The Financial Rand, which last week dipped below 20 cents, picked up strongly to around 24.75 cents before easing back to around 23.75 cents, and encouraged persistent short covering in recently beleaguered gold and related issues. The latter were marked higher at the outset and made sustained progress before turning easier late in the session, when precious metals prices suddenly came under pressure. Weakness in gold and platinum was attributed to fears of forced sales of metals by the South African Government in the event of the imposition of hard economic sanctions by Western nations. Gold, fully steady around $347.5 throughout the morning, fell sharply to close a net $8 lower at $339.75 an ounce, while Platinum retreated from an initial $448.5, was quoted around $431 during the afternoon. The Gold Mines index showed a 1.8 rise at 196.2.

Elsewhere Jantar added 2 at a 1986 high of 27p in response to a newsletter recommendation, while Greenwich Resources, involved in a gold mining project in the Sudan, rose 5 to 102p.

Traded Options

Subdued conditions continued to prevail in Traded Options. Total contracts transacted amounted to 12,006-9,050 calls and 2,956 puts. Much of the session's activity centred on BTR which attracted 4,170 calls.

FINANCIAL TIMES STOCK INDICES

	June 16	June 13	June 12	June 11	June 10	year ago	1986 High	1986 Low	Since Compilation High	Since Compilation Low
Government Secs	91.31	91.07	90.63	90.68	91.41	81.73	94.51 (18/4)	80.39 (20/1)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	96.84	96.62	96.64	96.57	97.12	86.18	97.51 (22/4)	86.55 (23/1)	150.4 (28/11/47)	50.53 (3/1/75)
Ordinary ♥	1318.6	1313.7	1304.1	1301.1	1314.4	988.3	1425.9 (3/4)	1094.3 (14/1)	1425.9 (3.4/86)	49.4 (26/6/40)
Gold Mines	196.2	194.4	192.3	199.5	208.0	431.6	357.0 (27/1)	192.3 (12/6)	734.7 (15/2/83)	43.5 (26/10/71)
Ord. Div. Yield	4.15	4.17	4.19	4.21	4.18	4.69				
Earnings Yld.%(full)	10.01	10.04	10.13	10.17	10.10	11.72				
P/E Ratio (net) (*)	12.15	12.11	12.01	11.97	12.05	10.42				
Total Bargains (Est)	24,958	25,531	24,949	24,665	24,710	23,331				
Equity Turnover £m.	—	549.56	572.78	526.61	466.28	323.24				
Equity Bargains	—	27,441	25,562	22,639	23,629	20,406				
Shares Traded (ml).	—	263.7	245.5	223.8	226.8	172.1				

S.E. ACTIVITY

Indices	June 13	June 12
Gilt Edged Bargains	146.3	160.0
Equity Bargains	177.8	165.5
Equity Value	1,110.8	1,157.7
5-Day Average		
Gilt Edged Bargains	147.8	143.4
Equity Bargains	159.6	151.8
Equity Value	1017.2	990.2

♥ Opening	10 a.m.	11 a.m.	Noon	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1316.0	1321.4	1320.6	1318.9	1317.8	1317.7	1318.0	1317.7

Day's High 1321.7. Day's Low 1316.0

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, SE Activity 1974 *Nil=11.72.

LONDON REPORT AND LATEST SHARE INDEX. TEL. 01-246 8026

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	85	15	12
Corpns. Dom. and Foreign Bonds	29	2	39
Industrials	456	223	818
Financial and Props.	204	58	315
Oils	23	13	83
Plantations	5	1	9
Mines	51	21	110
Others	94	24	113
Totals	947	357	1,499

YESTERDAY'S ACTIVE STOCKS

Above average activity was noted in the following stocks yesterday.

	Closing price	Day's change
Amersham Internatnl.	388	+12
Century Oils	128xd	+ 4½
EMAP A	181	+15
GEC	198	− 2
Lee International	158	—
Lucas Industries	568	+ 3
Marks and Spencer	197	+ 2
Pearson	521	− 6
Ryan International	36½	+ 1
Unigate	278	− 2
Vaal Reefs	£34¾	+ 0¼
Woolworth	775	+10

TRADITIONAL OPTIONS

First Dealings	Last Dealings	Last Declaration	For Settlement
June 9	June 20	Sept 11	Sept 22
June 23	July 4	Sept 25	Oct 6
July 7	July 18	Oct 9	Oct 20

For rate indications see end of Unit Trust Service

Stocks favoured for the call included British Telecom, Amstrad, Westwood Dawes, Polly Peck, Arthur Lee, Telephone Rentals, Federated Housing, Barker and Dobson, Berkeley and Hay Hill, Abbey Life, Ryan Internation, Allebone, Charterhall and Buckleys Brewery. A put was done in C. E. Heath, while doubles were transacted in Sears and Dixons.

NEW HIGHS AND LOWS FOR 1986

NEW HIGHS (103)

CORPORATION LOANS (1). BUILDINGS (6). CHEMICALS (4). STORES (2). ELECTRICALS (8). ENGINEERING (4). FOODS (3). INDUSTRIALS (15). INSURANCE (1). LEISURE (1). MOTORS (7). NEWSPAPERS (2). PAPER (5). PROPERTY (12). TEXTILES (3). TRUSTS (14). OILS (4). OVERSEAS TRADERS (1). MINES (3).

NEW LOWS (26)

AMERICANS (4) Allied Signal, Damson Oil, Fin. Corp. Americas, PHH. CANADIANS (1) BCE. ELECTRICALS (5) Applied Holographics Wts., Farnell Elect., Micro Focus, Oceonics, Telematrix. ENGINEERING (1) Hobson. PAPER (2) LCA, Moss Advertising. TEXTILES (1) Shaw Carpets. TRUSTS (4) Caledonia Invs., Camellia Invs., Cont. Assets Trust, Scott. New Court. MINES (8) Manevale, Buffels., Stilfontein, Beatrix Mines, St. Helena Unisel, Anglo Amer. Gold, Afsla Oil & Minerals.

FT-ACTUARIES SHARE INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS — Monday June 16 1986

Figures in parentheses show number of stocks per section

[illegible]

FIXED INTEREST

[illegible]

BASE LENDING RATES

	%		%
ABN Bank	10	First Nat. Fin. Corp.	11
Allied Dunbar & Co	10	First Nat. Sec. Ltd	11
Allied Irish Bank	10	Robert Fleming & Co	10
American Express Bk	10	Robert Fraser & Ptrs	11
Amro Bank	10	Grindlays Bank	‡10
Henry Ansbacher	10	Guinness Mahon	10
Associates Cap Corp	10	Hambros Bank	10
Banco de Bilbao	10	Heritable & Gen. Trust	10
Bank Hapoalim	10	Hill Samuel	§10
Bank Leumi (UK)	10	C. Hoare & Co	†10
Bank Credit & Comm	10	Hongkong & Shanghai	10
Bank of Cyprus	10	Knowsley & Co. Ltd	10½
Bank of Ireland	10	Lloyds Bank	10
Bank of India	10	Edward Manson & Co	11
Bank of Scotland	10	Mase Westpac Ltd	10
Banque Belge Ltd	10	Meghraj & Sons Ltd	10
Barclays Bank	10	Midland Bank	10
Beneficial Trust Ltd	11	Morgan Grenfell	10
Brit. Bk. of Mid. East	10	Mount Credit Corp. Ltd	10
Brown Shipley	10	National Bk. of Kuwait	10
CL Bank Nederland	10	National Girobank	10
Canada Permanent	10	National Westminster	10
Cayzer Ltd	10	Northern Bank Ltd	10
Cedar Holdings	11	Norwich Gen. Trust	10
Charterhouse Bank	10	PK Finans. Intl (UK)	10
Citibank NA	10	Provincial Trust Ltd	11
Citibank Savings	†10¾	R. Raphael & Sons	10
City Merchants Bank	10	Roxburghe Guarantee	11
Clydesdale Bank	10	Royal Bank of Scotland	10
Comm. Bk. N. East	10	Royal Trust Co. Canada	10
Consolidated Credits	10	Standard Chartered	10
Continental Trust Ltd	10	Trustee Savings Bank	10
Co-operative Bank	*10	United Bank of Kuwait	10
The Cyprus Popular Bk	10	United Mizrahi Bank	10
Duncan Lawrie	10	Westpac Banking Corp	10
E. T. Trust	11	Whiteaway Laidlaw	10½
Exeter Trust Ltd	10½	Yorkshire Bank	10
Financial & Gen. Sec.	10		

● Members of the Accepting Houses Committee. * 7-day deposits 5.69%. 1-month 6.03%. Top Tier—£25,000+ at 3 months' notice 9.72%. At call when £10,000+ remains deposited. † Call deposits £1,000 and over 6¼% gross. ‡ Mortgage base rate. § Demand deposit 5.82%. Mortgage 11%.

EUROPEAN OPTIONS EXCHANGE

[illegible]

TOTAL VOLUME IN CONTRACTS: 26,974

FRIDAY'S ACTIVE STOCKS

Based on bargains recorded in Stock Exchange Official List.

Stock	No. of changes	Fri. close	Day's change	Stock	No. of changes	Fri. close	Day's change
Pentland Inds.	33	865	+40	AE	23	172	+3
ICI	27	944	+25	Holiday Bar	22	227	+25
Int. Sig. & Cn.	27	293	+27	Western Motor	21	126	+14
Amstrad	25	582	+2	Beecham	19	293	—
				Tozer Kemsley	18	186	+10
				Appleyard	17	163	+7
				Bestobell	17	435	+15
				Ford (Martin)	17	72	+1

LONDON TRADED OPTIONS

[illegible]

June 16. Total contracts 12,006. Calls 9,050. Puts 2,956.

*Underlying security price.

WORLD STOCK MARKETS

Prices at 3pm, June 16

AUSTRIA

June 16	Price Sch.	+ or —
Credit'nst'lt pp.	2,280	+30
Goesser	3,450	—50
Interunfall	14,100	
Jungbunzlauer	19,000	+100
Laenderbank	2,330	
Perimooser	640	—20
Steyr Daimler	159	—6
Veitscher Mag	11,100	—350

BELGIUM/LUXEMBOURG

June 16	Price Frs.	+ or —
B.B.L.	3,040	
Banq. Gen. Lux.	15,600	
Banq. Int.A.Lux.	15,250	—100
Bekaert	10,600	
Ciment CBR	3,340	—155
Cockerill	142	
Delhaize	15,200	+1250
EBES	4,200	—45
Electrobel	14,800	—50
Fabrique Nat.	2,145	+45
GB Inno BM	7,010	+30
GBL (Brux)	5,100	+85

GERMANY

June 16	Price Dm.	+ or —
AEG	332	+6
Allianz Vers.	2,550	+50
BASF	300	+11.3
Bayer	328	+12.2
Bayer-Hypo	598	+23
Bayer-Verein	588	+3
BHF-Bank	527	+17
BMW	600	+25
Brown Boveri	301	+2.8
Commerzbank	333	+6.5
Cont'l. Gummi	285	+7
Daimler-Benz	1,446	+21
Degussa	456.5	+6.5
D'sche Babcock	210	+2
Deutsche Bank	838.5	+12.5
Dresdner Bank	449.5	+15.5
Feld-Muehle Nbl	513	+6
GHH	242	
Henkel	415.5	+5.5
Hochtief	1020	+40
Hoechst	280	+6.5
Hoesch Werke	132.7	+3.7
Holzmann (P)	660	+35
Horten	191	—0.2
Hussel	521	+9
Karstadt	358	+7

NORWAY

SPAIN

SWEDEN

ITALY

NETHERLANDS

FRANCE

DENMARK

AUSTRALIA

HONG KONG

SWITZERLAND

JAPAN

SINGAPORE

SOUTH AFRICA

NOTES — Prices on this page are as quoted on the individual exchanges and are last traded prices. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. * Price in Kroner.

CANADA

TORONTO

Prices at 2.30pm June 16

F—No voting rights or restricted voting rights.

Indices

NEW YORK

TORONTO

	June 16	June 13	June 12	June 11	1986 High	1986 Low
Metals & Minls	2,198.4*	—	2,186.3	2,178.5	2,442.85 (21/3)	2,825.3 (21/8)
Composite	3,077.2*	3,088.9	3,073.9	3,069.7	3,129.11 (18/4)	2,754.0 (17/2)
MONTREAL Portfolio	1,563.32*	1,567.3	1,561.51	1,558.88	1,623.33 (16/4)	1,386.6 (22/1)

* Indicates pre-close figure

** Saturday June 7: Japan Nikkei 16,899.01. TSE 1,311.78.

OVER-THE-COUNTER

Nasdaq national market, 2.30pm prices

Continued from Page 45

LONDON

Chief price changes (in pence unless otherwise indicated)

RISES

Ex 12% 2013–17	£128⅝	+⅜
AAH	240	+19
Amersham Intl	388	+12
Atkins Bros	218xd	+18½
Authority Invs	190	+62
Birmingham Mint	185	+10
Bodycote Intl	300	+10
Burgess Products	255	+11
Caffyns	270	+18
Conroy Pet Nat R.	115	+5
Dixons Group	340	+8
Emap A	181	+15
Hazlewood Foods	870	+10
Henderson Group	236	+14
Johnstone's P	110	+20
Kode Intl	218	+13
Metal Closures	152	+8
Pentland Inds	890	+25
Rotaflex	380	+13
Royal Insce	852	+18
Standard Chart	817	+22
Sun Alliance	657	+22
Western Motor	138	+12
Wolsten Rink	230	+15
Yellowhammer	158	+18

FALLS

Tr 2½% IL 20	£97⅝	—½
LCA Hldgs	123	—12
Moss Advert	83	—19
Rank Org	517	—15
Reckitt & C	784	—15

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

Prices at 3pm, June 16

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
25¼	12	AAR s	.44	1.9	22	361	24	23¾	23¾	−¼
30	21¾	ADT	.92	3.4		847	28⅜	27¼	27¼	−1¼
30¾	11½	AFG s			19	442	u30⅞	29½	30	−⅝
25⅝	13⅝	AGS			15	26	20⅝	20⅜	20½	−⅜
15	9⅞	AMCA				32	12⅞	12⅝	12⅝	
60⅝	37½	AMR			11	2452	53	52⅛	52⅝	−⅛
25¾	18⅝	AMR pf2.18		8.8		12	24⅞	24⅞	24⅞	+⅛
27½	23¼	ANR pf 2.67		10.		2	25½	25½	25½	
23½	19	ANR pf 2.12		9.6		3	22	22	22	+¾
12½	7⅝	APL			6	3	11⅛	11	11⅛	+⅛
16¾	11⅛	ARX	.71t	5.4	12	50	13¼	13⅛	13⅛	−⅛
51⅞	32¾	ASA	2a	5.9		295	34⅛	33⅝	33⅝	−⅝
18⅝	10½	AVX		2.3		728	14	13¾	13¾	
32	22⅝	AZP	2.72	10.	7	1766	27⅜	26⅞	27	
50	26⅝	AbtLb s			24	3679	49⅝	49	49⅜	−⅛
32	19⅝	AccoWd .50		1.7	20	170	29⅜	29¼	29¼	
17¼	10	AcmeC .40		3.1		36	13⅜	13	13	−⅜
9¼	7	AcmeE .32b		3.9	20	46	8¼	7¾	8¼	+⅜
20¾	17	AdaEx 1.90e		9.3		160	20⅜	20	20⅜	+⅜
33⅛	15½	AdmMl .40		1.2	15	36	u33⅜	32⅞	32⅞	−⅛
20⅜	10¾	AdvSys .83t		4.6	17	42	18	17⅞	18	+⅛
32⅞	22⅛	AMD				7735	23⅞	22¼	22½	−⅞
12⅝	8¼	Adobe n				31	8⅝	8⅝	8⅝	+¼
[illegible]										

Continued on Page 45

NYSE COMPOSITE PRICES

Continued from Page 44

X Y Z

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close	Ch'ge
58¾	53¼	Xerox pf5.45	9.8			3	55⅝	55⅝	55⅝	+¼
26¾	20⅝	XTRA .64	2.7		11	24½	24	24	−¼
17⅞	13½	Yorkin n				848	17⅞	16¾	17⅞	+⅜
38	26¾	ZaleCp 1.32	3.6			33	36⅝	36¼	36¼	−¼
10¾	3½	Zapata .03j				249	4⅛	4⅛	4⅛	
84⅝	47¾	Zayre .64	.8	26	770	u84½	83½	84⅝	+⅜
42½	23⅞	Zayre wi				11	42½	42½	42½	
17	11⅞	Zemex .40	2.9	14	5	14	14	14	
29⅞	16¾	ZenithE				687	25⅞	25	25⅞	+⅞
35⅝	17⅜	ZenLbs .10e	.3	21	514	32	31½	31⅞	−⅛
16¾	8⅝	ZenLb wi				44	16¾	15¾	16¾	+1¼
22⅝	14	Zero s .20	1.6	18	77	18½	18¼	18⅜	
45¾	32¼	Zurnln 1.32	3.6	13	250	38	36¾	37⅛	−1

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E-price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls - sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

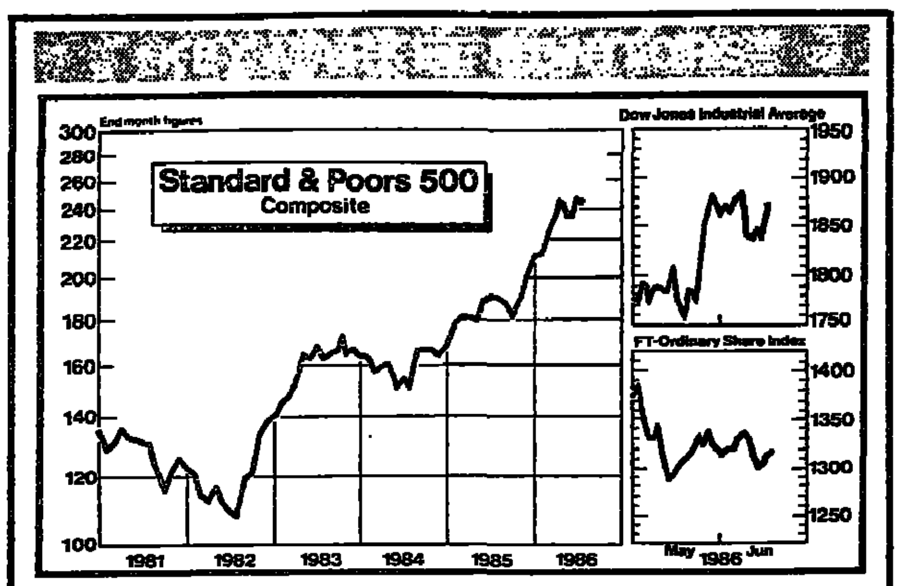
Prices at 3pm, June 16

OVER-THE-COUNTER

Nasdaq national market, 2.30pm prices

Continued on Page 43

FINANCIAL TIMES
WORLD STOCK MARKETS



STOCK MARKET INDICES

	June 16	Previous	Year ago
NEW YORK			
DJ Industrials	1,877.83*	1,874.19	1,300.96
DJ Transport	785.50*	786.50	636.94
DJ Utilities	187.97*	187.69	164.60
S&P Composite	246.15*	245.72	187.10
LONDON			
FT Ord	1,318.6	1,313.7	988.3
FT-SE 100	1,593.6	1,582.4	1,275.5
FT-A All-share	787.19	781.63	616.44
FT-A 500	869.89	864.53	678.59
FT Gold mines	196.2	194.4	431.6
FT-A Long gilt	9.34	9.39	10.63
TOKYO			
Nikkei	17,185.60	17,205.97	12,685.2
Tokyo SE	1,327.67	1,327.79	1,006.76
AUSTRALIA			
All Ord.	1,207.1	1,216.3	840.2
Metals & Mins.	532.0	536.3	493.6
AUSTRIA			
Credit Aktien	115.60	117.5	104.38
BELGIUM			
Belgian SE	3,526.37	3,513.21	2,325.63
CANADA			
Toronto			
Metals & Mints	2,192.0	2,215.6	1,901.0
Composite	3,076.4	3,089.0	2,712.5
Montreal			
Portfolio	1,561.22	1,567.30	133.12
DENMARK			
SE	224.68	224.11	191.62
FRANCE			
CAC Gen	347.0	344.70	223.5
Ind. Tendance	131.30	130.5	81.0
WEST GERMANY			
FAZ-Aktien	683.74	666.56	463.25
Commerzbank	2,065.80	2,016.1	1,365.8
HONG KONG			
Hang Seng	closed	1,765.65	1,441.94
ITALY			
Banca Comm.	723.64	708.36	324.29
NETHERLANDS			
ANP-CBS Gen	291.20	287.8	208.9
ANP-CBS Ind	285.70	282.3	172.4
NORWAY			
Oslo SE	351.31	350.01	329.45
SINGAPORE			
Straits Times	703.38	696.12	778.64
SOUTH AFRICA			
JSE Golds	–	1,226.5	995.7
JSE Industrials	–	1,130.9	966.0
SPAIN			
Madrid SE	172.08	172.71	80.19
SWEDEN			
J & P	2,432.99	2,394.49	1,324.17
SWITZERLAND			
Swiss Bank Ind	559.9	559.8	432.7
WORLD	June 13	Prev	Year ago
MS Capital Int'l	321.9	318.7	210.8

GOLD (per ounce)

	June 16	Prev
London	$339.75	$347.75
Zürich	$339.25	$346.35
Paris (fixing)	$347.22	$348.61
Luxembourg	$346.50	$347.60
New York (Aug)	$337.50	$345.9

CURRENCIES

	US DOLLAR		STERLING	
(London)	June 16	Previous	June 16	Previous
$	–	–	1.5225	1.5245
DM	2.2005	2.208	3.35	3.365
Yen	165.5	165.3	252	252
FFr	7.0175	7.04	10.685	10.7325
SFr	1.817	1.821	2.765	2.775
Guilder	2.479	2.486	3.775	3.79
Lira	1,511	1,518	2,300	2,314
BFr	44.95	45.1	68.45	68.75
C$	1.386	1.384	2.1108	2.1095

INTEREST RATES

	June 16	Prev
Euro-currencies (3-month offered rate)		
£	9 13/16	9 13/16
SFr	5 3/16	5
DM	4 9/16	4 5/8
FFr	7 1/16	7 1/8
FT London Interbank fixing (offered rate)		
3-month US$	7	7 1/8
6-month US$	7 1/16	7 3/16
US Fed Funds	6 7/8*	6 13/16
US 3-month CDs	6.60*	6.75
US 3-month T-bills	6.12*	6.28

COMMODITIES

(London)	June 16	Prev
Silver (spot fixing)	344.3p	349.8p
Copper (cash)	£953.5	£956.5
Coffee (July)	£1,772.5	£1,812.1
Oil (Brent blend)	$12.20	$12.20

US BONDS

Treasury	June 16* Price	Yield	Prev Price	Yield
7¼ 1988	100 3/32	7.07	99 31/32	7.296
7⅞ 1993	99 3/32	7.55	97 5/32	7.925
7¼ 1996	98 11/32	7.615	95 27/32	7.963
7¼ 2016	98	7.4161	94 11/32	7.681

Source: Harris Trust Savings Bank

Treasury Index

Maturity (years)	June 16* Return index	Day's change	Yield	Day's change
1–30	150.51	+0.94	7.67	−0.09
1–10	143.59	+0.42	7.49	−0.07
1–3	135.53	+0.24	7.20	−0.06
3–5	145.37	+0.41	7.70	−0.07
15–30	175.46	+2.84	8.25	−0.16

Source: Merrill Lynch

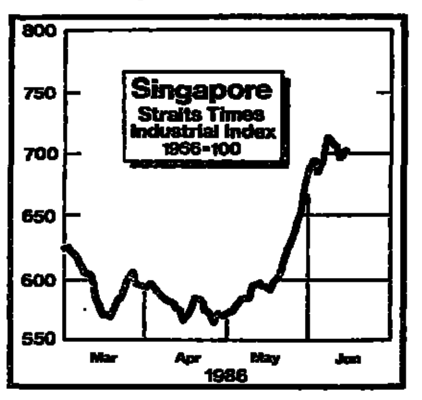
Corporate	June 16 Price	Yield	Prev Price	Yield
AT & T 3⅞ July 1990	89⅝	6.79	90	6.74
SCBT South Central 10¾ Jan 1993	105.698	8.15	104⅞	8.65
Phibro-Sal 8 April 1996	97.02	8.45	94.165	8.9
TRW 8⅜ March 1996	101.61	8.50	99.33	8.85
Arco 9⅞ March 2016	102	9.67	101	9.77
General Motors 8⅜ April 2016	91.44	8.92	88⅝	9.25
Citicorp 9⅜ March 2016	97	9.65	96⅝	9.7

Source: Salomon Brothers

FINANCIAL FUTURES

CHICAGO	Latest	High	Low	Prev
US Treasury Bonds (CBT) 8% 32nds of 100%				
June	97–04	97–19	95–19	95–18
US Treasury Bills (IMM) $1m points of 100%				
Sept	94.15	94.20	94.11	94.14
Certificates of Deposit (IMM) $1m points of 100%				
June	n/a	n/a	n/a	93.46
LONDON				
Three-month Eurodollar $1m points of 100%				
June	93.00	92.99	92.95	92.98
20-year Notional Gilt £50,000 32nds of 100%				
June	122–25	122–23	122–20	122–12

* Latest available figures



WALL STREET

Data-packed week has quiet start

US FINANCIAL markets made a quiet start to a week bristling with the latest federal data on the progress of the domestic economy, *writes Terry Byland in New York*.

Bond prices remained firm, but the stock market backed off from an early attempt to extend the substantial gain chalked up ahead of the weekend.

At 3pm the Dow Jones industrial average was up 3.64 at 1,877.83.

In the credit markets traders continued to expect further evidence this week of sluggishness in the economy. News that the operating rate of US industry fell to 78.6 per cent last month whetted appetites for disclosure later this week of the revised official estimates of first-quarter GNP, as well as the latest figures on housing starts, personal incomes and consumer prices.

Federal bonds, which had surged ahead on Friday on weak industrial production statistics, received a further kick upwards yesterday when Treasury bond futures rose by 2 full points. However, early gains of half a point in bond prices were later trimmed.

The stock market this week faces a special hurdle when June stock index futures and index options expire on Friday – the day has in the past proved a switchback nightmare for stock prices.

Turnover in stocks dipped sharply, as the institutions returned to the sidelines to absorb Friday's purchases and watch the bond market for the next move.

By midsession, the broader market indices had slipped into lower territory, and the Dow was weakened by a fall in IBM, down $1⅛ at $148⅜ in brisk turnover.

NCR, $1⅝ off at $53¼, was another soft spot in computer stocks. But the weakest sector in the high-tech area was in semiconductors, which suffered from adverse brokerage opinions. Motorola lost $1⅞ to $40⅝ after Merrill Lynch trimmed earnings forecasts. Advanced Micro Devices lost $1 to $22⅞.

On the over-the-counter markets Micron Technology dipped $⅝ to $8⅜ and Intel $1⅛ to $23⅞.

With the dollar still soft, there were buyers for pharmaceutical issues which benefit in export markets. Pfizer, with more than 50 per cent of sales and profits from outside the US, gained $1⅛ to $67⅞ while Merck, a Dow industrial constituent, gained $1¼ to $99⅞.

The Dow transportation average, often regarded as a guide to underlying trends in industrial stocks, returned to the downward tack as the buyers of rail issues backed off. Union Pacific at $57⅛ shed $⅛ while Burlington Northern lost $⅞ to $67¼.

Also lacking enthusiasm were the airline stocks, after Delta Airlines asked the Transportation Department to investigate the computer reservation system operated by American, one of its major rivals on domestic routes. Delta held steady at $42 while American eased $⅛ to $52⅞. Pan Am drifted down a further $¼ to $6⅛, but TWA, rallying after the unexpected departure of a senior executive, added $½ to $15.

Reports that the Supreme Court might rule the Gramm-Rudman budget plans to be unconstitutional found no confirmation, and defence stocks moved up at midsession. General Dynamics gained $⅞ to $78⅝, Lockheed $⅜ to $53⅜ and the shuttle rocket engine manufacturer, Morton Thiokol, added $⅜ to $37⅛.

The bright spot was the retail sector, which hopes for confirmation later this week that personal spending remains buoyant. J. C. Penney jumped $1⅛ to $81½ in active trading, and another feature was Sears, up $⅜ at $47⅛. However, Federated Department Stores slipped $1⅛ to $83¾ as profits were taken after recent strength.

Financial stocks paused as traders awaited signs that short-term rates would begin to fall again. Financial Corporation of America slipped $⅛ to $8½, still upset by the chairman's admission that an operating profit is unlikely before the end of the year.

BankAmerica eased $¼ to $15⅞, and other bank stocks were mostly lower. J. P. Morgan gave up $⅛ at $8 and Citicorp $⅛ to $44⅞.

In the credit market short-term rates edged higher despite intervention by the Federal Reserve, which made three-day system repurchases when federal funds stood at 6 13/16 per cent.

Bond prices moved up sharply at midmorning, in response to strength in the Treasury bond futures. Later, prices moved more uncertainly with long-dated issues showing gains of less than half a point at noon. Retail interest remained thin.

EUROPE

Brightened by flood of sunshine

SUNSHINE flooded Europe yesterday, and activity on most major bourses brightened along with the weather. Investors were spurred by Friday's leap on Wall Street and election results in West Germany while interest rate cuts aided sentiment in France.

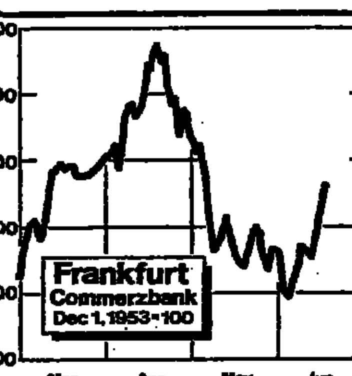
Frankfurt, roused by the Christian Democrats' success in Lower Saxony, jumped sharply higher in active trading.

The Commerzbank index scored a resounding rise of 49.7 to close at 2,065.8, a third consecutive gain, as buying centred on blue chips.

Banks, cars and chemicals were also assisted by the softer dollar. BMW starred with a DM 25 advance to DM 600, and VW put on DM 20 to DM 570. Daimler gained DM 21 to DM 1,445.

Porsche remained steady at DM 1,035 *as it announced the recall of 25,000 turbo sportscars throughout the world to repair faulty fuel lines.*

Among chemical groups, Bayer advanced DM 12.20 to DM 322. At DM 286.20 BASF stayed at Friday's closing level while Degussa and Hoechst gained DM 6.50 each to DM 455.50 and DM 280.



Henkel, the applied chemicals group, rose DM 5.50 to DM 415.50. The company, which expects earnings to rise in 1986, is in talks with Union Générale de Savonnerie, the French soap maker, as part of its plan to strengthen its corporate base.

Banks, benefiting from the weaker US currency, showed gains stretching to DM 23 for Bayer Hypo at DM 598, DM 12.50 to DM 828.50 for Deutsche and DM 15.50 to DM 449.50 for Dresdner Bank.

Siemens, scored the highest gains in the electrical sector, adding DM 17 to DM 660. AEG rose DM 6 to DM 332, and Brown Boveri advanced DM 2.80 to DM 301

Bonds were also lively on the victory by Chancellor Kohl's party in the polls, registering gains of up to 110 basis points. The Bundesbank sold DM 85.9m worth of domestic paper after selling a sizable DM 102.7m worth on Friday.

The brighter mood in Germany spilled over into **Amsterdam**, and the ANP-CBS general index gained more than 3 percentage points.

Unilever rose Fl 8.40 to Fl 477.50 as rumours of an impending takeover offer circulated. Wessanen, seen as the most likely target, ended up Fl 2 at Fl 302.

Among other internationals Royal Dutch rose Fl 1.80 to Fl 196, and Hoogovens added Fl 2.40 to Fl 116.90. Philips turned lower, however, shedding 10 cents to Fl 54.80.

The Bank of France signalled the room for further cuts in base lending rates by reducing its money market intervention rate ¼ percentage point to 7 per cent. This move fuelled enthusiasm in Paris where prices advanced throughout the day.

The foods and drinks sector showed strong gains, with BSN up FFr 145 at FFr 3,695, Pernod Ricard FFr 54 higher at FFr 1,042 and Perrier FFr 11 ahead at FFr 679. Moët-Hennessy, the rosebush to champagne group, added FFr 43 to FFr 1,994.

While French interest rates looked set to fall, Swiss banks raised their rates on customer time deposits, depressing activity on the **Zurich** bourse. Shares rose, but their gains were limited by the sentiment.

Brussels and **Milan** were also firmer while **Madrid** faded late in the session.

Moves to reform capital taxation boosted prices in **Stockholm** where Volvo attracted the most attention. The issue rose SKr 14 to SKr 421 as the group said it would pay fines imposed on it by the bourse for an alleged failure to report a planned deal with Fermenta.

Fermenta advanced SKr 2 to SKr 173 ex-dividend after news that it had reappointed Mr Refaat El-Sayed as head of the biotechnology and chemicals group.

Oslo also opened the week on a stronger note as the country moves towards accepting an emergency tax package to cool down its overheated economy.

LONDON

INTEREST RATE hopes gave London markets a firm start to the new trading account yesterday although volume remained thin. The FT Ordinary index rose 4.9 to 1,318.6.

Investors derived encouragement from the strong Friday performance on Wall Street and revived expectations of a cut in the US discount rate.

News of the 0.75 per cent fall in May retail sales had scant impact on sentiment which was more susceptible to the fine summer weather and the forthcoming Ascot race meeting.

The news blackout in South Africa proved effective, forcing persistent short covering *in recently beleaguered gold* and related issues.

Gilts firmed although a slightly easier sterling exchange rate and the prospect of new official funding after Friday's exhaustion of the long tap stock deterred some investors.

Chief price changes, Page 43; Details, Page 42; Share information service, Pages 40–41

AUSTRALIA

THE CALMER pace of the takeover scene was reflected in Sydney as the All Ordinaries index retreated 7.2 to 1,209.1. Industrials proved the most vulnerable although mining, particularly gold, issues held up well.

BHP, the centre of much of the current takeover interest, closed unchanged at A$8.86 after early weakness. The other participants in the bid drama were subdued, with Elders IXL down 10 cents to A$4.70, Bell Resources 10 cents cheaper at A$4.25 and parent Bell Group 6 cents lower at A$9.44.

CSR, which had earlier announced new share and options issues, retreated 12 cents to A$3.43, and CRA among mines dipped 4 cents to A$6.46. Renison, among gold stocks, added 20 cents to A$5.70.

SINGAPORE

BARGAIN-HUNTING and isolated short covering sparked some life into moderate Singapore trading and left the Straits Times industrial index 7.26 higher at 703.38 and the Stock Exchange all share index 1.87 up at 236.67.

Promet was the most active issue with 695,000 shares traded out of a total session volume of 15.4m. It gained 1 cent to 43 cents.

Van der Horst, also active, picked up ½ cent to 65 cents while United Motors firmed 10 cents to S$6.80. SIA managed a 5-cent advance to S$6.55.

Banks were buoyant, with OCBC 15 cents higher at S$7.10 and DBS 10 cents up at S$6.45. Firmer properties saw Singapore Land surge 21 cents to S$3.10 and Selangor pick up 7 cents to S$1.13.

SOUTH AFRICA

LIGHT TRADING featured in Johannesburg as market operators moved to the sidelines during the anniversary of the 1976 Soweto riots.

Gold issues were broadly lower, and industrials followed suit. Vaal Reefs dropped R10 to R225 despite showing early strength. Driefontein lost R2.25 to R53.75, and Buffels dropped R2.75 to R80.25.

Mining financials, platinum and diamond issues mirrored golds. One of the few stocks to move against the trend was Nedbank, up 10 cents to R6.15.

TOKYO

Encouraged by discount rate hopes

LARGE-CAPITAL steel and shipbuilding stocks were traded busily in Tokyo yesterday on expectations of more co-ordinated discount-rate cuts, but a late hesitant mood dampened the market, *writes Shigeo Nishiwaki of Jiji Press.*

The Nikkei stock average shed 20.37 to 17,185.60 on late profit-taking after gaining 60 points at one stage in the morning. Trading volume remained high at 737m shares, though down from last Friday's 980m shares.

This marked the first fall in four sessions. Declines outnumbered advances by 471 to 385, with 133 issues unchanged.

Buying interest tapered off in midmorning after seeming to strengthen from the opening, reflecting growing expectations for co-ordinated discount-rate cuts by Japan, the US and West Germany and last Friday's strong rally on Wall Street.

Equities had seesawed at a high plateau in a mixture of optimism and pessimism since the beginning of last week. The optimists expect still higher prices due to surplus funds and investor preference for stocks against the backdrop of lower interest rates while the pessimists are concerned about precariously high prices.

Hong Kong stock markets were closed yesterday for a holiday.

Steel and shipbuilding issues were the four most active stocks yesterday. Kawasaki Steel topped the active list with 99.43m shares traded and firmed Y2 to Y185. Nippon Kokan, second busiest with 63.64m shares, and Ishikawajima-Harima Heavy Industries, third with 56.56m shares, closed unchanged at Y168 and Y246, respectively. Nippon Steel, fourth with 39.39m shares, eased Y1 to Y176.

Budget-influenced stocks and railways opened higher almost across the board, but the uptrend slackened later.

Nihon Cement remained popular with the sixth largest trading volume of 9.75m shares and climbed Y20 to Y587 on investor interest in the planned construction of a new Kansai international airport in western Japan. But Keihin Electric Express Railway closed Y2 down at Y796 after firming Y19 on investor appraisal of a project to extend its railway to Tokyo International airport at Haneda.

Biotechnology stocks fell across the board with the exception of Kuraray, which soared Y90 to Y2,280 after reports of the launch of a clinical test on a new anti-cancer drug. Takeda Chemical Industries dropped Y30 to Y1,590.

Nippon Oil put on Y40 to Y1,230, reflecting expectations that the group will discover oil on the continental shelf between Japan and South Korea. The results of its exploration are due at the end of this month.

Gas and power utilities were mixed. Tokyo Gas rose Y4 to Y453 while Tokyo Electric Power weakened Y30 to Y3,980.

Bonds opened stronger after the surge on the US bond market last weekend but turned down on profit-taking.

The yield on the bellwether 6.2 per cent government bond maturing in July 1995 went up to 4.665 per cent after dropping to 4.600 per cent at one stage. The yield on the 5.1 per cent government bond due in March 1996 also rose from the previous week's 4.905 per cent close to 4.920 per cent after falling to 4.840 per cent at one stage.

Among bond futures September contracts moved up from last Friday's Y102.70 to Y103 but retreated to Y102.80 on heavy selling by dealers, failing to break the psychological barrier of Y103.

CANADA

INDUSTRIALS proved one of the weaker spots in Toronto as mines and metals lost ground.

Toronto Dominion Bank fell C$¼ to C$23½, and Canadian Imperial Bank of Commerce traded C$¼ lower to C$23½. Toromount Industries dropped C$½ to C$8⅝ while Dylex A resited the trend with its C$¼ gain to C$18¼.

Montreal staged a broad retreat although utilities showed some strength.